

Registration number: 05370591

Piramal Healthcare UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

KNAV
Statutory Auditors
Hygeia Building
Ground Floor
66-68 College Road
Harrow
Middlesex
HA1 1BE



Piramal Healthcare UK Limited

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Piramal Healthcare UK Limited

Company Information

Directors	Mr V Valsaraj
	Mr C Leahy
	Mrs H I G Ogden
	Mr R I Haxton
Company secretary	Mr C Leahy
Registered office	Whalton Road Morpeth Northumberland NE61 3YA
Auditors	KNAV Statutory Auditors Hygeia Building Ground Floor 66-68 College Road Harrow Middlesex HA1 1BE

Piramal Healthcare UK Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activity

The principal activity of the company is that of distribution, manufacturing and packaging of chemical intermediates and finished products for the pharmaceutical industry.

Fair review of the business

The core strategy of the company remains the growth of the pharmaceutical contract development and manufacturing businesses at both the Morpeth and Grangemouth facilities, the former specialising in APIs and oral solids with Grangemouth having a niche capability in Antibody Drug Conjugation (ADC). Growth is achieved through securing and transferring new commercial products from the global customer base in addition to moving clinical programmes through the various stages of clinical trials towards commercial launch. The Company has also started developing a range of pharmaceutical products. These products are at various stages of the development cycle and for those products which achieved regulatory approval, commercial sales began in the year.

The profit for the year, after taxation, amounted to £15,590,387 (2018: £6,719,600).

	2019 £'000	2018 £'000	Change £'000
Turnover	95,628	87,896	7,732
Profit before tax	18,241	6,720	11,521
Headcount	581	542	39

Key financial and non-financial performance indicators used to assess performance are turnover, profit and headcount. These are reported in the management accounts and reviewed by the Board and key stakeholders on a monthly basis.

Turnover was up 9% from £87.9m to £95.6m compared to 2018, mainly driven by strong volumes from new high margin products launched into the US market. This combined with good control on the cost base has led to profit before tax growing strongly from £6.7m to £18.2m. Headcount grew during the year primarily due to the launch of a new API from the Morpeth facility.

The directors expect revenues and profit in 2020 to maintain the advances made in 2019.

External debt (Loans and Borrowings less Cash at Bank and Invoice Financing Facilities) increased from £9.1m in 2018 to £13.5m in 2019, primarily due to continued investments in developmental expenditure (intangible fixed assets) and upgrades to the plant as part of an ongoing capex plan.

Piramal Healthcare UK Limited

Strategic Report for the Year Ended 31 December 2019

Principal risks and uncertainties

The company, in conjunction with the ultimate parent company, has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company. The policies set out by the board and agreed with the ultimate parent company are implemented by the company's directors.

The directors monitor performance through the production of management accounts on a monthly basis. Additionally, the directors monitor key performance indicators on a monthly basis to ensure they are within acceptable parameters. These include revenue, operating profits, earnings before interest tax and amortisation (EBITDA), working capital, customer service, cash flows from operating activities and headcount.

Risks considered by management include the following:

Credit risk

The company has implemented policies that require appropriate credit checks on customers before sales are made to minimise the risk of financial loss.

Liquidity risk

The company maintains sufficient funds and generates cash from operations to meet working capital requirements. The company has access to both short term and long term financing options with the bank and if required, finance facilities from fellow group undertakings. The company regularly monitors and reports compliance with bank covenants and undertakes regular cash flow forecasting in order to ensure working capital requirements are met.

Regulatory risk

The pharmaceutical industry in general is highly regulated both nationally and internationally. The company ensures adherence of these regulations and its supply chain is also encouraged to do the same.

Foreign exchange risk

The company has the risk of foreign currency fluctuations associated with U.S. Dollar and Euro dominated transactions both from the sale and purchases of products. This is monitored closely by management, however, due to a high portion of the business being naturally hedged, the company is not overly exposed to currency fluctuations.

Brexit Risk

The directors continue to monitor the Brexit developments very closely in relation to any changes to the sale and testing of Pharmaceutical products from the UK to the EU, but currently assess any business impact to be low. The company has taken the necessary steps to mitigate the potential regulatory risks as a result of Brexit.

Covid-19

At the date of approving the financial statements of the Company, the directors do not expect there to be any major impacts due to the Covid-19 virus on the financials. Per government guidelines, the company is considered to be an essential business and continues to operate in accordance with these guidelines.

Section 172(1) statement

The Directors are well aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;

Piramal Healthcare UK Limited

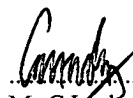
Strategic Report for the Year Ended 31 December 2019

- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company, (the "s.172(1) Matters").

The following paragraphs summarise how the Directors' fulfil their duties:

1. Our plan was designed to have a long-term beneficial impact on the company and the group at large.
2. Our employees are critical to the delivery of our plans. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we do business.
3. Our global suppliers are vital to our Supply Chain and ability to serve our customers. We value all of our suppliers as an extension of our enterprise, and have several multi-year contracts with our key suppliers to ensure we maintain strong relationships with them and to provide continued high quality products to our customers. The directors recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values. The directors continuously monitor the impact of any decision taken, on their stakeholders, including suppliers, customers and others.
4. The Piramal group as a whole has core values of Knowledge, Action, Care & Impact which are embedded in the group and its subsidiaries. We support several social causes and provide high quality pharmaceutical products to multiple countries around the world.
5. As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business with high standards of business conduct and ethics.
6. Communication with our shareholder is important for the Board. By maintaining dialogue with our shareholder, we aim to ensure that their views are heard and that our objectives are understood.

Approved by the Board on 3 April 2020 and signed on its behalf by:


.....
Mr C Leaty
Director

Piramal Healthcare UK Limited

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors of the company

The directors who held office during the year were as follows:

Ms K Hussain (Resignation of director
11 October 2019)

Mr V Valsaraj

Mr C Leahy

Mrs H I G Ogden (appointed 20 February 2019)

Mr R I Haxton (appointed 16 October 2019)

Results and dividends

The Company's financial results have been discussed in the Strategic Report. During the year no dividends have been paid or declared (2018: No dividends had been paid or declared).

Financial risk management

Objectives and policies

The directors make use of the ultimate parent company's risk management team to monitor and where possible mitigate the risks faced by the business. The Directors' have identified and included the Company's key risks and associated management policies in the Strategic Report on pages 2 & 3.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. The employees (or their representatives) are consulted regularly on a wide range of matters affecting their current and future interests.

Future developments

Please refer to the Strategic Report on page 2.

Research and development

The company is committed to a program of continued improvement of the existing product range; refer to note 13 for further details.

Statement of engagement with suppliers, customers and others in a business

Please refer to the Strategic Report on page 4.


Piramal Healthcare UK Limited

Directors' Report for the Year Ended 31 December 2019

Reappointment of auditors

The auditors KNAV are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 3 April 2020 and signed on its behalf by:


.....
Mr C Leahy
Director

Piramal Healthcare UK Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that so far as they are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the auditors are unaware.

Piramal Healthcare UK Limited

Independent Auditor's Report to the Members of Piramal Healthcare UK Limited

We have audited the financial statements of Piramal Healthcare UK Limited (the 'company') for the year ended 31 December 2019, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Piramal Healthcare UK Limited

Independent Auditor's Report to the Members of Piramal Healthcare UK Limited

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 7], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

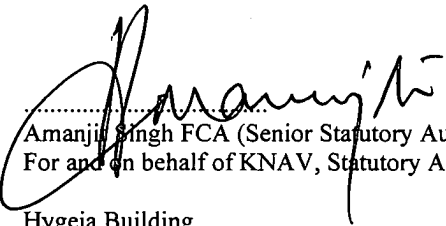
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Piramal Healthcare UK Limited

Independent Auditor's Report to the Members of Piramal Healthcare UK Limited

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Amanjit Singh FCA (Senior Statutory Auditor)
For and on behalf of KNAV, Statutory Auditor

Hygeia Building
Ground Floor
66-68 College Road
Harrow
Middlesex
HA1 1BE

3 April 2020

Piramal Healthcare UK Limited

Profit and Loss Account for the Year Ended 31 December 2019

		(As restated)	
	Note	2019 £	2018 £
Turnover	3	95,628,056	87,896,494
Cost of sales	4	<u>(37,971,823)</u>	<u>(43,270,430)</u>
Gross profit		57,656,233	44,626,064
Distribution costs		(616,366)	(1,144,429)
Administration expenses	4	(42,408,956)	(36,959,072)
Other operating income	5	<u>3,851,111</u>	<u>649,528</u>
Operating profit	6	18,482,022	7,172,091
Other interest receivable and similar income	7	6,849	-
Interest payable and similar expenses	8	<u>(247,824)</u>	<u>(452,491)</u>
Profit before tax		18,241,047	6,719,600
Taxation	12	<u>(2,650,660)</u>	<u>-</u>
Profit for the financial year		<u><u>15,590,387</u></u>	<u><u>6,719,600</u></u>

The notes on pages 15 to 37 form an integral part of these financial statements.

Piramal Healthcare UK Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019


		(As restated)	
	Note	2019 £	2018 £
Profit for the year		<u>15,590,387</u>	<u>6,719,600</u>
Total comprehensive income for the year		<u><u>15,590,387</u></u>	<u><u>6,719,600</u></u>

Piramal Healthcare UK Limited
(Registration number: 05370591)
Balance Sheet as at 31 December 2019

			(As restated)
	Note	2019 £	2018 £
Fixed assets			
Intangible assets	13	17,969,163	13,407,867
Tangible assets	14	<u>38,359,188</u>	<u>38,726,683</u>
		<u>56,328,351</u>	<u>52,134,550</u>
Current assets			
Stocks	16	22,632,610	19,892,938
Debtors due within one year	17	26,920,577	21,806,425
Debtors due after more than one year	17	3,229,140	4,229,000
Cash at bank and in hand	18	<u>2,834,046</u>	<u>1,161,629</u>
		55,616,373	47,089,992
Creditors: Amounts falling due within one year	19	<u>(40,369,232)</u>	<u>(38,664,687)</u>
Net current assets		<u>15,247,141</u>	<u>8,425,305</u>
Total assets less current liabilities		71,575,492	60,559,855
Creditors: Amounts falling due after more than one year	19	<u>(9,720,600)</u>	<u>(14,295,350)</u>
Net assets		<u>61,854,892</u>	<u>46,264,505</u>
Capital and reserves			
Called up share capital	21	23,232,501	23,232,501
Profit and loss account		<u>38,622,391</u>	<u>23,032,004</u>
Total equity		<u>61,854,892</u>	<u>46,264,505</u>

Under the Companies Act 2006, s454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

Approved and authorised by the Board on 3 April 2020 and signed on its behalf by:



 Mr C Leahy
 Director

Piramal Healthcare UK Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £	Profit and loss account £	Total £
At 1 January 2018	23,232,501	16,312,404	39,544,905
Profit for the year	-	6,719,600	6,719,600
Total comprehensive income	-	6,719,600	6,719,600
At 31 December 2018	23,232,501	23,032,004	46,264,505

	Share capital £	Profit and loss account £	Total £
At 1 January 2019	23,232,501	23,032,004	46,264,505
Profit for the year	-	15,590,387	15,590,387
Total comprehensive income	-	15,590,387	15,590,387
At 31 December 2019	23,232,501	38,622,391	61,854,892

The notes on pages 15 to 37 form an integral part of these financial statements.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The principal activity of the company is that of distribution, manufacturing and packaging of chemical intermediates and finished products for the pharmaceutical industry.

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is:

Whalton Road
Morpeth
Northumberland
NE61 3YA
United Kingdom

These financial statements were authorised for issue by the Board on 3 April 2020.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), and the Companies Act 2006.

Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 paragraph 1.12(b), on the basis that it is a qualifying entity and its ultimate parent company, Piramal Enterprises Limited, includes these in its own consolidated financial statements:

- the requirement to prepare a statement of cash flows;
- certain financial instrument disclosures;
- from disclosing the company key management personnel compensation.

Exemption from preparing group accounts

The company has taken advantage of Section 405(2) of the Companies Act 2006 and is not required to produce, and has not published consolidated accounts, as its subsidiary undertaking is dormant and the effect of consolidating would be immaterial. The financial statements therefore contain information about Piramal Healthcare UK Limited as an individual company and not about its group.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Name of ultimate parent of group

These financial statements are consolidated in the financial statements of Piramal Enterprises Limited.

The financial statements of Piramal Enterprises Limited may be obtained from: Piramal Ananta,
Agastya Corporate Park,
Opposite Fire Brigade,
Kamani Junction,
LBS Marg, Kurla (West),
Mumbai - 400 070
India

Also available from: www.piramal.com.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable, net of returns, discounts and value added tax. Turnover includes revenue earned from sale of goods and from the rendering of services.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. The specific recognition criteria described below must also be met before turnover is recognised.

Sale of goods

Turnover is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, either at the point of despatch or receipt, depending on the commercial agreement and international commercial terms adopted. For goods sold under profit sharing arrangements, turnover is recognised on a quarterly basis in line with the contractual agreements in place.

Sale of development services

Turnover is based on previously agreed contractual terms with customers and is recognised on the achievement of agreed milestones.

Government grants and other contributions

Government grants and other contributions received on capital expenditure are credited to a deferred income account and are released to the profit and loss account over the useful economic lives of the relevant assets or over the life of the commercial contract in place for a particular asset once they are put to use. The company has applied the accrual model.

Other income

Other income also includes provisions made for Research and Development expenditure credits receivable from HM Revenue & Customs. This has been recognised to the extent where management are reasonably certain that the claim will be accepted by HM Revenue & Customs and the amount provided for is based on management's best estimate and workings that are in line with previously accepted claims by HM Revenue & Customs.

Functional and presentational currency

The company's functional and presentational currency is UK Sterling.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class

Buildings

Plant and machinery

Depreciation method and rate

Straight line over 10 years and 33 years

Straight line over 5 years, 10 years and 12 years, depending on the use or commercial contract in place for a particular asset

Land and assets in the course of construction are stated at cost and are not depreciated. Assets in the course of construction are depreciated only once they become available for use.

The carrying values of tangible fixed assets are reviewed annually (at the period end) for impairment or earlier if there is a change in circumstances, that indicate the carrying value of the asset may no longer be recoverable.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be reliably measured on initial recognition. Intangible assets are amortised on a straight line basis over their estimated useful economic lives. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Research and development

Expenditure on research activities are undertaken with the prospect of gaining new scientific or technical knowledge and understanding. These are recognised as an expense in the profit and loss as and when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. An internally-generated intangible asset arising from development is recognised if and only if all of the following have been demonstrated:

- development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are probable; and
- the company intends to and has sufficient resources (financial, technical and others) to complete development and to use or sell the asset.

The expenditure to be capitalised includes the cost of labour, materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures that do not meet these criteria are recognised as an expense in the profit and loss as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalised since the probability of expected future economic benefits criterion is always considered to be satisfied as they would be for separately acquired intangible assets.

Research and development intangible assets which are under development, are recognised as In-Process Research and Development assets ("IPR&D"). IPR&D assets are not amortised, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable or the costs being capitalised no longer meet the recognition criteria set out above. Any such charge on IPR&D assets are recognised in profit or loss.

IPR&D assets are tested for impairment annually, or more frequently when there is an indication that the assets may be impaired. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable.

Amortisation is recognised on a straight-line basis over 5 years or (if shorter) the life of the commercial agreement in place for that product, once it is available for commercial use. Intangible assets that are not available for commercial use are amortised from the date they are available for commercial use.

Any changes in the estimated useful life and the amortisation method for intangible assets with a finite useful life are reviewed at the end of each reporting period, with the effect of any changes being accounted for on a prospective basis.

Investments

Investments in equity shares in subsidiary undertakings, which are not publicly traded and where fair value cannot be measured reliably, are measured at cost less accumulated impairment.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using moving average prices for Raw Materials and .

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

Capital spares

Capital spares are those major spare parts purchased specifically for plant and machinery and are expected to be used over more than one accounting period; these are capitalised as plant and machinery. If they are not expected to be used over more than one period, the spare parts are recognised as stock. Capital spares are fully depreciated once the spare part is put into use.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Leases

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined, the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Defined benefit pension obligation

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset recognised in the balance sheet in respect of the defined benefit plan is the present value of the plan assets at the reporting date less the fair value of the defined benefit obligation at the end of the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Financial instruments

Classification

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans from related parties.

Recognition and measurement

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other debtors and creditors, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

Debt instruments that are payable or receivable within one year, typically trade creditors or debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms of financed at a rate of interest that is not a market rate or in case of an out-right short term loan not at a market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Impairment

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured as amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discounted rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2019 £	2018 £
Sale of goods	60,859,849	58,762,326
Rendering of services	34,768,207	29,134,168
	<u>95,628,056</u>	<u>87,896,494</u>

The analysis of the company's turnover for the year by market is as follows:

	2019 £	2018 £
UK	14,591,258	14,631,143
Europe	31,915,314	41,886,082
Rest of world	49,121,484	31,379,269
	<u>95,628,056</u>	<u>87,896,494</u>

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

4 Prior period restatement

The prior year's comparative for cost of sales and administrative expenses have been restated so as to better match those expenses that can be directly attributable to product sales and making it comparable to the treatment undertaken by the company in the current year. Cost of sales have been restated from £40,970,774 to £43,270,430 and administrative expenses have been restated from £39,258,728 to £36,959,072.

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2019 £	2018 £
Government grants and other subsidies	1,355,640	442,985
Other income	1,953,125	-
Research and development expenditure credit	542,346	206,543
	<u>3,851,111</u>	<u>649,528</u>

6 Operating profit

Arrived at after charging/(crediting)

	2019 £	2018 £
Depreciation expense	5,130,663	2,351,522
Amortisation expense	382,729	124,222
Foreign exchange gains	(593,972)	(183,340)
Operating lease expense - plant and machinery	241,869	132,795
Operating lease expense - other	150,360	148,236
Profit on disposal of property, plant and equipment	(6,000)	-
Loss on other intangible asset adjustment	13 -	804,338
	<u>-</u>	<u>804,338</u>

7 Other interest receivable and similar income

	2019 £	2018 £
Interest receivable from fellow group undertakings	<u>6,849</u>	<u>-</u>

8 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and borrowings	27,626	273,741
Interest payable to fellow group undertakings	<u>220,198</u>	<u>178,750</u>
	<u>247,824</u>	<u>452,491</u>

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £	2018 £
Wages and salaries	22,781,074	22,399,592
Social security costs	2,160,404	1,896,071
Pension costs	1,730,155	1,564,925
Other employee expense	362,955	295,300
	<u>27,034,588</u>	<u>26,155,888</u>

The average monthly number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Production	435	396
Administration and support	101	103
Research and development	37	35
Sales, marketing and distribution	8	8
	<u>581</u>	<u>542</u>

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £	2018 £
Remuneration	635,874	527,499
Contributions paid to money purchase schemes	37,431	33,715
	<u>673,305</u>	<u>561,214</u>

Directors' remuneration includes contributions to private healthcare schemes.

In respect of the highest paid director:

	2019 £	2018 £
Remuneration	<u>248,151</u>	<u>212,827</u>

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

11 Auditors' remuneration

	2019 £	2018 £
Audit of the financial statements	<u>45,100</u>	<u>44,250</u>
Other fees to auditors		
Audit-related assurance services	40,500	40,500
All other non-audit services	<u>2,550</u>	<u>2,500</u>
	<u>43,050</u>	<u>43,000</u>

12 Taxation

Tax charged/(credited) in the income statement

	2019 £	2018 £
Current taxation		
UK corporation tax	896,660	-
Deferred taxation		
Arising from write-down or reversal of write-down of deferred tax asset	<u>1,754,000</u>	<u>-</u>
Tax expense in the income statement	<u>2,650,660</u>	<u>-</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

		(As restated)
	2019 £	2018 £
Profit before tax	<u>18,241,047</u>	<u>6,719,600</u>
Corporation tax at standard rate	3,465,799	1,276,724
Effect of expense not deductible in determining taxable profit	5,225	52,219
Effect of tax losses utilised	(1,788,179)	(428,663)
Effect of adjustment in research and development tax credit	(103,046)	(39,243)
Tax decrease from effect of capital allowances and depreciation	(677,355)	(868,105)
Deferred tax asset utilised in the period	2,008,000	-
Deferred tax asset recognised in the period	(254,000)	-
Other tax effects for reconciliation between accounting profit and tax expense	<u>(5,784)</u>	<u>7,068</u>
Total tax charge	<u>2,650,660</u>	<u>-</u>

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Deferred tax

Deferred tax assets and liabilities

	Asset £
2019	
Unutilised losses carried forward	2,151,000
Fixed asset timing differences	<u>1,039,000</u>
	<u><u>3,190,000</u></u>
2018	
Unutilised losses carried forward	4,159,000
Fixed asset timing differences	<u>785,000</u>
	<u><u>4,944,000</u></u>

The company has tax losses of £11,011,137 (2018: £20,725,788) carried forward for use against future profits of the same trade, plus non trade loan relationship debits of £854,456 (2018: £859,066) carried forward for use against future non-trading activities. Capital allowances have been claimed on eligible expenditure amounting to £5,466,683 (2018: £6,558,552).

Deferred tax assets have been recognised to the extent that tax losses can be utilised against future profits and on the timing differences arising between the net book value of eligible assets per the financial statements and the tax written down value of these assets for tax purposes.

A deferred tax asset in respect of tax losses has been recognised as the directors consider it is more likely than not that there will be suitable taxable profits arising from which the future reversal of the underlying timing differences can be deducted. Further, these tax losses are available indefinitely. In addition to this, the company also expects to be able to claim capital allowances in excess of depreciation in future years.

Deferred tax assets of £162,367 (2018: £788,000) have not been recognised as they do not meet the recognition criteria of FRS 102.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

13 Intangible assets

	Other Intangible Assets £	Products developed and in commercial use £	Products under development £	Total £
Cost				
At 1 January 2019	1,554,425	1,913,645	11,618,444	15,086,514
Additions	-	-	4,944,025	4,944,025
Disposals	(1,554,425)	-	-	(1,554,425)
At 31 December 2019	-	1,913,645	16,562,469	18,476,114
Amortisation				
At 1 January 2019	1,554,425	124,222	-	1,678,647
Amortisation charge	-	382,729	-	382,729
Amortisation eliminated on disposals	(1,554,425)	-	-	(1,554,425)
At 31 December 2019	-	506,951	-	506,951
Carrying amount				
At 31 December 2019	-	1,406,694	16,562,469	17,969,163
At 31 December 2018	-	1,789,423	11,618,444	13,407,867

• The other intangible asset relates to the purchase of the customer database, distribution agreements and market authorisations for the Haemaccel brand, a plasma expander, which has been fully amortised in prior years. As sales for this product are no longer being made by the Company, the asset was disposed of in the year.

• Products under development consist of qualifying expenditure incurred by the Company on the external development of pharmaceutical products which, once completed and regulatory approval is achieved, will be available for commercial use. Once "Products under development" are completed and regulatory approval is achieved, the gross carrying amount of the product developed is transferred to "Products developed and in commercial use".

• Products included under "Products developed and in commercial use" are amortised over 5 years or (if shorter) the life of the commercial agreement (with a marketing partner) for that product.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

14 Tangible assets

	Land and buildings £	Plant & Machinery £	Plant & Machinery under construction £	Total £
Cost				
At 1 January 2019	8,998,630	31,206,515	14,121,060	54,326,205
Additions	-	303,115	4,460,052	4,763,167
Disposals	-	(6,000)	-	(6,000)
Transfers	1,628,318	14,906,086	(16,534,403)	1
At 31 December 2019	10,626,948	46,409,716	2,046,709	59,083,373
Depreciation				
At 1 January 2019	930,061	14,669,461	-	15,599,522
Charge for the year	321,784	4,808,879	-	5,130,663
Eliminated on disposal	-	(6,000)	-	(6,000)
At 31 December 2019	1,251,845	19,472,340	-	20,724,185
Carrying amount				
At 31 December 2019	9,375,103	26,937,376	2,046,709	38,359,188
At 31 December 2018	8,068,569	16,537,054	14,121,060	38,726,683

Included within the net book value of land and buildings above is £7,903,173 (2017: £7,923,031) in respect of freehold land and buildings. The value of land included of £7,435,778 (2017: £7,435,778) is not subject to depreciation.

The net carrying amount of assets held under finance leases included in plant & machinery is £151,325 (2018: £Nil)

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

15 Investments

Unquoted investments	£
Cost	
At 1 January 2019	1
Provision	
At 1 January 2019	<u>1</u>
Carrying amount	
At 31 December 2019	<u>-</u>
At 31 December 2018	<u>-</u>

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2019	2018
Piramal Healthcare Pension Trustees Limited	Whalton Road, Morpeth, Northumberland, NE61 3YA England, UK	Ordinary shares	100%	100%

Piramal Healthcare Pension Trustees Limited is a dormant company.

16 Stocks

	2019	2018
	£	£
Raw materials and consumables	12,221,567	10,639,215
Work in progress	9,909,913	7,583,636
Finished goods and goods for resale	<u>501,130</u>	<u>1,670,087</u>
	<u>22,632,610</u>	<u>19,892,938</u>

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

17 Debtors

Due within one year	Note	2019 £	2018 £
Trade debtors		17,298,282	13,595,521
Amounts owed by fellow group undertakings	27	1,812,232	526,612
Other debtors		4,718,757	5,073,002
Prepayments		2,346,089	1,896,290
Accrued income		784,357	-
Deferred tax assets	12	3,190,000	4,944,000
		<u>30,149,717</u>	<u>26,035,425</u>

Other debtors includes £3,229,140 (2018: £4,229,000) being recoverable after more than one year.

18 Cash at bank and in hand

	2019 £	2018 £
Cash on hand	381	382
Cash at bank	<u>2,833,665</u>	<u>1,161,247</u>
	<u>2,834,046</u>	<u>1,161,629</u>

The invoice financing facility is secured by a fixed and floating charge over the freehold and leasehold property and all other assets owned by the company.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

19 Creditors

	Note	2019 £	2018 £
Due within one year			
Loans and borrowings	22	13,383,756	7,217,541
Trade creditors		6,364,736	3,645,658
Amounts due to fellow group undertakings	27	8,590,771	15,615,296
Social security and other taxes		581,107	904,257
Other payables		154,404	149,423
Accrued expenses		8,091,725	8,398,843
Corporation tax payable	12	296,660	-
HP and finance lease liabilities		37,059	-
Deferred income		<u>2,869,014</u>	<u>2,733,669</u>
		<u>40,369,232</u>	<u>38,664,687</u>
Due after one year			
Loans and borrowings	22	-	2,999,997
Deferred income		9,609,423	11,295,353
HP and finance lease liabilities		<u>111,177</u>	<u>-</u>
		<u>9,720,600</u>	<u>14,295,350</u>

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

20 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1,730,155 (2018: £1,564,925).

Defined benefit pension schemes

The company sponsors a funded defined benefit pension scheme for qualifying UK employees, the Piramal Healthcare UK Pension Fund. The fund is a funded scheme of the defined benefit ("DB") type (predominantly providing retirement benefits based on final salary). It also has defined contribution ("DC") sections and the amounts shown in these disclosures exclude the DC accounts and cashflows relating to the 2006 IA and Post-2002 IA members. The DB section of the fund was closed to accrual with effect from 15 November 2017.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the fund was carried out by a qualified actuary as at 31 December 2017 and showed a surplus of £6.4M. The company's regular employer contributions to the DB Section of the fund in 2019 are £nil (with DC contributions payable in addition). Additional employer contributions might be required if there are any redundancies or benefit augmentations during the year. The next funding valuation is due no later than 31 December 2020.

The results of the latest funding valuation at 31 December 2017 have been adjusted to the new balance sheet date, taking account of experience over the period since 31 December 2017, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation was measured using the projected unit credit method.

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £Nil (2018: £Nil).

The total cost relating to defined benefit schemes for the year included in the cost of an asset was £385,000 (2018: £-).

As at 31 December 2019, the fund had a surplus of £16.111m (2018: £16.955m), however, the directors are concerned that it is unlikely that the surplus could be used to finance DC members' contributions indefinitely (for example, surplus could instead be used to fund the insurance buy-out cost of the DB Section with an insurer) and the company is currently considering moving the DC sections out of the Trust. Noting the accounting principle of prudence, the Company has therefore decided to recognise the surplus under FRS102 in a consistent way with the surplus treatment agreed in prior years under FRS 17. As a result of the company no longer paying contributions to the fund (following closure to accrual) and no refund of surplus has been agreed with the trustees, £Nil (2018: £Nil) of the total surplus was deemed to be recoverable.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2019	2018
	£	£
Fair value of scheme assets	79,591,000	74,974,000
Present value of defined benefit obligation	<u>(63,481,000)</u>	<u>(58,019,000)</u>
	16,110,000	16,955,000
Other amounts not recognised in the balance sheet	<u>(16,110,000)</u>	<u>(16,955,000)</u>
Defined benefit pension scheme surplus/(deficit)	<u><u>-</u></u>	<u><u>-</u></u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2019
	£
Present value at start of year	58,019,000
Interest cost	1,639,000
Actuarial gains and losses	7,250,000
Benefits paid	<u>(3,427,000)</u>
Present value at end of year	<u><u>63,481,000</u></u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2019
	£
Fair value at start of year	74,974,000
Interest income	2,125,000
Actuarial gains and losses	6,304,000
Net benefits paid	(3,427,000)
Administration cost incurred	<u>(385,000)</u>
Fair value at end of year	<u><u>79,591,000</u></u>

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Analysis of assets

The major categories of scheme assets are as follows:

	2019 £	2018 £
Multi-strategy Growth Fund	25,600,000	-
Liability Driven Investment (LDI)	23,320,000	-
Low Risk Bond Fund	13,553,000	-
Equity instruments	-	7,190,000
Government bonds (Indexed linked)	-	22,440,000
Diversified Growth Fund	-	9,101,000
Cash/net current assets	2,005,000	21,880,000
Leveraged Gilt Fund	-	4,763,000
Hayfin Direct Lending Fund	15,113,000	9,600,000
	<u>79,591,000</u>	<u>74,974,000</u>

Return on scheme assets

	2019 £	2018 £
Return on scheme assets	<u>8,429,000</u>	<u>420,000</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2019 %	2018 %
Discount rate	2.00	2.90
Future pension increases	2.85	3.10
RPI inflation	2.95	3.20
CPI inflation	<u>1.95</u>	<u>2.10</u>

Mortality assumption

The mortality assumptions are based on standard mortality tables which allow for expected future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 25.6 years if they are male and for a further 27.2 years if they are female.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

21 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>23,232,501</u>	<u>23,232,501</u>	<u>23,232,501</u>	<u>23,232,501</u>

22 Loans and borrowings

	2019 £	2018 £
Non-current loans and borrowings		
Bank borrowings (b)	<u>-</u>	<u>2,999,997</u>
Current loans and borrowings		
Bank borrowings (b)	2,999,997	2,500,000
Bank overdrafts (a)	6,451,716	2,214,443
Other borrowings (c)	<u>3,932,043</u>	<u>2,503,098</u>
	<u>13,383,756</u>	<u>7,217,541</u>

(a) Bank overdraft of £6,451,716 (2018: £2,214,444) is secured by fixed charge over the freehold and leasehold property of the company. The charge contains a negative pledge. In addition the ultimate parent company, Piramal Enterprises Limited has provided a guarantee to the bank.

(b) The total bank loan of £2,999,997 (2018: £5,499,997) is secured by fixed charge over the freehold and leasehold property of the company, and is repayable by 31 December 2020. The loan bears interest at 2.10% over LIBOR. The charge contains a negative pledge. In addition the ultimate parent company, Piramal Enterprises Limited has provided a guarantee to the bank.

(c) Other borrowings represent the invoice financing facility which is secured by a fixed and floating charge over the freehold and leasehold property and all other assets owned by the company.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

23 Obligations under leases

Operating leases

The total of future minimum lease payments is as follows:

	2019	2018
	£	£
Not later than one year	349,811	182,348
Later than one year and not later than five years	316,786	336,319
Later than five years	231,720	291,866
	<u>898,317</u>	<u>810,533</u>

24 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £701,678 (2018: £1,703,339).

25 Contingent liabilities

At the balance sheet date the following contingent liabilities existed:

Guarantee by the bank in favour of HM Revenue & Customs for £703,790 (2018: £1,597,790); guarantee by the bank in favour of HSBC Bank USA N.A. for \$2,000,000 (2018: £Nil) towards the overdraft facility taken by a fellow group undertaking; guarantee by the bank in favour of Siemens Financial Services Ltd for £74,795 (2018: £556,914).

26 Parent and ultimate parent undertaking

The company's immediate parent is Piramal Dutch Holdings N.V, incorporated in Netherlands.

The ultimate parent is Piramal Enterprises Limited, incorporated in India.

The most senior parent entity producing publicly available financial statements is Piramal Enterprises Limited. These financial statements are available upon request from

Piramal Ananta,
Agastya Corporate Park,
Opposite Fire Brigade,
Kamani Junction,
LBS Marg, Kurla (West),
Mumbai –400 070
India.

Also available from: www.piramal.com

There is no one controlling party.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

27 Related party transactions

Transactions with fellow group undertakings

The company has taken advantage of the exemptions available in FRS 102 from disclosing related party transactions with other companies that are wholly owned within the group.

Amounts due to fellow group undertakings includes an unsecured loan of £2,749,699 (2018: £4,320,000) which bears interest at 6.5%.

Amounts due from fellow group undertakings includes an unsecured loan of £1,364,256 (2018: £Nil) which bears interest at 4%.

During the year the company incurred royalty charges from Piramal Corporate Services Limited, an entity controlled by members of the Key Management Personnel of Piramal Enterprises Limited (the ultimate parent company), amounting to £423,066 (2018: £338,047). At the year-end £113,287 (2018: £117,865) was outstanding and included in amounts due to fellow group undertakings. The amounts payable are unsecured.