

Registration number: 05370591

Piramal Healthcare UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

KNAV UK Limited
Statutory Auditors
Kajaine House
57-67 High Street
Edgware
HA8 7DD



Piramal Healthcare UK Limited

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Piramal Healthcare UK Limited

Company Information

Directors Ms K Hussain
 Mr V Valsaraj
 Mr C Leahy
 Mrs H I G Ogden

Company secretary Mr C Leahy

Registered office Whalton Road
 Morpeth
 Northumberland
 NE61 3YA

Auditors KNAV UK Limited
 Statutory Auditors
 Kajaine House
 57-67 High Street
 Edgware
 HA8 7DD

Piramal Healthcare UK Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Principal activity

The principal activity of the company is distribution, manufacturing and packaging of chemical intermediates and finished product 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 profit for the year, after taxation, amounted to £6,719,600 (2017: £4,636,245).

| | 2018 | 2017 | Change |
|-------------------|--------------|--------------|---------------|
| | £'000 | £'000 | £'000 |
| Turnover | 87,896 | 77,703 | 10,193 |
| Profit before tax | 6,720 | 4,636 | 2,084 |
| Headcount | 542 | 519 | 23 |

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.

Turnover was up 13% from £77.7m to £87.9m compared to 2017, which together with good control on operating costs has led to profit before tax increasing from £4.6m to £6.7m. Increase in turnover was due to a combination of continued strong growth for Piramal's ADC services (up 20% year on year), good demand for development services from the Morpeth facility plus some favourable scheduling on some legacy commercial products. Additional headcount of 23 was added to cater to the increased volumes of ADCs and development services.

The directors expect further growth in revenues and profit in 2019 as the order book is strong at both businesses.

External debt (Loans and Borrowings less Cash at Bank and Invoice Financing Facilities) increased from £8.1m in 2017 to £9.1m in 2018, primarily due to significant investments in fixed assets of £13m, including the major upgrade of an API plant which will start realising returns in 2019.

Principal risks and uncertainties


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 turnover, profit, gross margins, earnings before interest, tax, working capital, cash flows from operating activities and headcount.

Piramal Healthcare UK Limited

Strategic Report for the Year Ended 31 December 2018

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 is not overly exposed to currency fluctuations due to a high portion of the business being naturally hedged.

Approved by the Board on 3 APR 2019 and signed on its behalf by:


.....
Mr C Leahy
Director

Piramal Healthcare UK Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the company

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

Ms K Hussain (appointed 2 July 2018)

Mr V Valsaraj

Mr C Leahy

Mr M J Wright (appointed 16 January 2018 and resigned 24 December 2018)

Mr A Walker (resigned 29 March 2018)

The following director was appointed after the year end:

Mrs H I G Ogden (appointed 20 February 2019)

Financial instruments

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. This includes credit risk, foreign exchange risk and interest rate risks. Foreign exchange risks are managed by utilising forward currency contracts, notably between the US dollar and sterling. The company has interest rate exposure on its long term debt and is mitigating this by paying down large proportions when LIBOR is at a low level.

Price risk, credit risk, liquidity risk and cash flow risk

The directors monitor performance through the production of management accounts on a monthly basis.

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 11 for further details.

Piramal Healthcare UK Limited

Directors' Report for the Year Ended 31 December 2018

Reappointment of auditors

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

Approved by the Board on 3 APR 2019 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 2018, 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 2018 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 6], 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

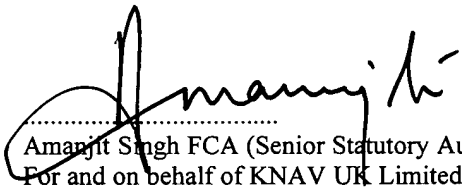
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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

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 UK Limited, Statutory Auditor

Kajaine House
57-67 High Street
Edgware
HA8 7DD

3 April 2019

Piramal Healthcare UK Limited

Profit and Loss Account for the Year Ended 31 December 2018

| | Note | 2018 £ | 2017 £ |
|---------------------------------------|------|-------------------------|-------------------------|
| Turnover | 3 | 87,896,494 | 77,703,086 |
| Cost of sales | | <u>(40,970,774)</u> | <u>(33,724,432)</u> |
| Gross profit | | 46,925,720 | 43,978,654 |
| Distribution costs | | (1,144,429) | (655,474) |
| Administration expenses | | (39,258,728) | (38,636,189) |
| Other operating income | 4 | <u>649,528</u> | <u>528,438</u> |
| Operating profit | 5 | 7,172,091 | 5,215,429 |
| Interest payable and similar expenses | 6 | <u>(452,491)</u> | <u>(579,184)</u> |
| Profit before tax | | 6,719,600 | 4,636,245 |
| Taxation | 10 | <u>-</u> | <u>-</u> |
| Profit for the financial year | | <u><u>6,719,600</u></u> | <u><u>4,636,245</u></u> |

The notes on pages 14 to 35 form an integral part of these financial statements.

Piramal Healthcare UK Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

| | Note | 2018 £ | 2017 £ |
|---|------|-------------------------|-------------------------|
| Profit for the year | | <u>6,719,600</u> | <u>4,636,245</u> |
| Remeasurement of net defined benefit asset | | - | (682,000) |
| P&I reserve - Deferred tax on actuarial (loss)/gain recognised in pension | | <u>-</u> | <u>156,600</u> |
| | | <u>-</u> | <u>(525,400)</u> |
| Total comprehensive income for the year | | <u><u>6,719,600</u></u> | <u><u>4,110,845</u></u> |

The notes on pages 14 to 35 form an integral part of these financial statements.


Piramal Healthcare UK Limited

(Registration number: 05370591)
Balance Sheet as at 31 December 2018

| | | | (As restated) |
|--|------|---------------------|---------------------|
| | Note | 2018 £ | 2017 £ |
| Fixed assets | | | |
| Intangible assets | 11 | 13,407,867 | 6,173,972 |
| Tangible assets | 12 | <u>38,726,683</u> | <u>27,632,546</u> |
| | | <u>52,134,550</u> | <u>33,806,518</u> |
| Current assets | | | |
| Stocks | 14 | 19,892,938 | 17,768,690 |
| Debtors due within one year | 15 | 21,806,425 | 26,740,115 |
| Debtors due after more than one year | 15 | 4,229,000 | - |
| Cash at bank and in hand | 16 | <u>1,161,629</u> | <u>2,652,007</u> |
| | | 47,089,992 | 47,160,812 |
| Creditors: Amounts falling due within one year | 17 | <u>(38,664,687)</u> | <u>(30,310,303)</u> |
| Net current assets | | <u>8,425,305</u> | <u>16,850,509</u> |
| Total assets less current liabilities | | 60,559,855 | 50,657,027 |
| Creditors: Amounts falling due after more than one year | 17 | <u>(14,295,350)</u> | <u>(11,112,122)</u> |
| Net assets | | <u>46,264,505</u> | <u>39,544,905</u> |
| Capital and reserves | | | |
| Called up share capital | 19 | 23,232,501 | 23,232,501 |
| Profit and loss account | | <u>23,032,004</u> | <u>16,312,404</u> |
| Total equity | | <u>46,264,505</u> | <u>39,544,905</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 APR 2019 and signed on its behalf by:



Mr C Leahy

Director

The notes on pages 14 to 35 form an integral part of these financial statements.

Piramal Healthcare UK Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

| | Share capital | Profit and loss | Total |
|----------------------------|----------------------|------------------------|--------------|
| | £ | account | £ |
| At 1 January 2017 | 23,232,501 | 12,201,559 | 35,434,060 |
| Profit for the year | - | 4,636,245 | 4,636,245 |
| Other comprehensive income | - | (525,400) | (525,400) |
| Total comprehensive income | - | 4,110,845 | 4,110,845 |
| At 31 December 2017 | 23,232,501 | 16,312,404 | 39,544,905 |

| | Share capital | Profit and loss | Total |
|----------------------------|----------------------|------------------------|--------------|
| | £ | account | £ |
| 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 |

The notes on pages 14 to 35 form an integral part of these financial statements.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The principal activity of the company is distribution, manufacturing and packaging of chemical intermediates and finished product 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 2019.

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 financial statements have been prepared using 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.

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 2018

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.

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 once they are put to use. The company has applied the accrual model.

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.

Tax

Current tax is recognised for the amount of tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

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 | Depreciation method and rate |
|---------------------|--|
| Buildings | Straight line over 10 years and 33 years |
| Plant and machinery | Straight line over 10 years and 12 years |

Land and assets in the course of construction are not depreciated. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognised as an expense 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 include 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 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 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 use are amortised from the date they are available for commercial use.

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 in estimate 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 impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, 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.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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 the first-in, first-out (FIFO) method.

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 each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

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.

Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged in the profit and loss account on a straight line basis over the period of the lease.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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.

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 2018

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:

| | 2018 £ | 2017 £ |
|-----------------------|-------------------|-------------------|
| Sale of goods | 58,762,326 | 50,608,370 |
| Rendering of services | 29,134,168 | 27,094,716 |
| | <u>87,896,494</u> | <u>77,703,086</u> |

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

| | 2018 £ | 2017 £ |
|---------------|-------------------|-------------------|
| UK | 14,631,143 | 13,254,830 |
| Europe | 41,886,082 | 41,600,590 |
| Rest of world | 31,379,269 | 22,847,666 |
| | <u>87,896,494</u> | <u>77,703,086</u> |

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

4 Other operating income

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

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Government grants and other subsidies | 442,985 | 337,658 |
| Research and development expenditure credit | 206,543 | 190,780 |
| | <u>649,528</u> | <u>528,438</u> |

5 Operating profit

Arrived at after charging/(crediting)

| | 2018 £ | 2017 £ |
|---|----------------|-----------|
| Depreciation expense | 2,351,522 | 2,154,550 |
| Amortisation expense | 124,222 | - |
| Foreign exchange (gains)/losses | (183,340) | 1,208,628 |
| Restructuring costs | - | 1,037,065 |
| Operating lease expense - plant and machinery | 132,795 | 155,848 |
| Operating lease expense - other | 148,236 | 148,236 |
| Loss on disposal of property, plant and equipment | - | 575 |
| Loss on other intangible asset adjustment | 11 804,338 | - |
| | <u>804,338</u> | <u>-</u> |

6 Interest payable and similar expenses

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Interest on bank overdrafts and borrowings | 273,741 | 342,900 |
| Interest payable to fellow group undertakings | 178,750 | 257,284 |
| Pension finance credit | - | (21,000) |
| | <u>452,491</u> | <u>579,184</u> |

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

7 Staff costs

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

| | 2018 £ | 2017 £ |
|------------------------|-------------------|-------------------|
| Wages and salaries | 22,399,592 | 21,036,144 |
| Social security costs | 1,896,071 | 1,777,833 |
| Pension costs | 1,564,925 | 1,624,280 |
| Other employee expense | 295,300 | 198,081 |
| | <u>26,155,888</u> | <u>24,636,338</u> |

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

| | 2018 No. | 2017 No. |
|-----------------------------------|-------------|-------------|
| Production | 396 | 366 |
| Administration and support | 103 | 111 |
| Research and development | 35 | 32 |
| Sales, marketing and distribution | 8 | 10 |
| | <u>542</u> | <u>519</u> |

8 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2018 £ | 2017 £ |
|--|----------------|----------------|
| Remuneration | 527,499 | 518,282 |
| Contributions paid to money purchase schemes | 33,715 | 29,458 |
| | <u>561,214</u> | <u>547,740</u> |

Directors' remuneration includes contributions to private healthcare schemes.

In respect of the highest paid director:

| | 2018 £ | 2017 £ |
|--------------|----------------|----------------|
| Remuneration | <u>212,827</u> | <u>355,281</u> |

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

9 Auditors' remuneration

| | 2018 £ | 2017 £ |
|-----------------------------------|---------------|---------------|
| Audit of the financial statements | <u>44,250</u> | <u>43,210</u> |
| Other fees to auditors | | |
| Audit-related assurance services | 40,500 | 43,000 |
| All other non-audit services | <u>2,500</u> | <u>1,999</u> |
| | <u>43,000</u> | <u>44,999</u> |

10 Taxation

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2017: lower than the standard rate of corporation tax in the UK) of 19% (2017: 19.25%).

The differences are reconciled below:

| | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Profit before tax | <u>6,719,600</u> | <u>4,636,245</u> |
| Corporation tax at standard rate | 1,276,724 | 892,320 |
| Effect of expense not deductible in determining taxable profit | 52,219 | 16,484 |
| Effect of tax losses utilised | (428,663) | (393,838) |
| Effect of accelerated capital allowances | (868,105) | (497,684) |
| Effect of adjustment in research and development tax credit | (39,243) | (36,719) |
| Other | <u>7,068</u> | <u>19,437</u> |
| Total tax charge/(credit) | <u>-</u> | <u>-</u> |

Deferred tax

Deferred tax assets and liabilities

| 2018 | Asset £ |
|-----------------------------------|------------------|
| Unutilised losses carried forward | 4,159,000 |
| Fixed asset timing differences | <u>785,000</u> |
| | <u>4,944,000</u> |

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

| 2017 | Asset £ |
|-----------------------------------|------------------|
| Unutilised losses carried forward | 4,944,000 |
| Fixed asset timing differences | - |
| | <u>4,944,000</u> |

Tax relating to items recognised in other comprehensive income or equity

| | 2018 £ | 2017 £ |
|--|-----------|----------------|
| Current tax related to items recognised as items of other comprehensive income | <u>-</u> | <u>156,600</u> |

The company has tax losses of £22,916,248 (2017: £25,172,369) carried forward for use against future profits of the same trade, plus non trade loan relationship debits of £859,066 (2017: £859,066) carried forward for use against future non-trading activities. Capital allowances have been claimed on eligible expenditure amounting to £6,558,552 (2017: £2,000,639).

Deferred tax assets have been recognised in respect of the utilisation of tax losses and the timing difference arising between capital allowances and depreciation in future years.

The company expects to be able to claim capital allowances in excess of depreciation in future years. Further short term timing differences exist at the year end which amount to £4,093,366 (2017: £Nil), on which a deferred tax asset of £785,000 (2017: £Nil) has been recognised.

The deferred tax asset recognised in respect of the utilisation of tax losses is £4,159,000 (2017: £4,944,000) 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. These tax losses are available indefinitely.

Deferred tax assets of £788,000 (2017: £1,404,272) have not been recognised as they do not meet the recognition criteria of FRS102.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

11 Intangible assets

| | Other Intangible Assets £ | Products developed and in commercial use £ | Products under development £ | Total £ |
|------------------------|------------------------------------|--|------------------------------------|-------------------|
| Cost | | | | |
| At 1 January 2018 | 1,554,425 | - | 6,173,972 | 7,728,397 |
| Additions | - | - | 8,162,455 | 8,162,455 |
| Transfers | - | 1,913,645 | (1,913,645) | - |
| Other adjustments | - | - | (804,338) | (804,338) |
| At 31 December 2018 | <u>1,554,425</u> | <u>1,913,645</u> | <u>11,618,444</u> | <u>15,086,514</u> |
| Amortisation | | | | |
| At 1 January 2018 | 1,554,425 | - | - | 1,554,425 |
| Amortisation charge | - | 124,222 | - | 124,222 |
| At 31 December 2018 | <u>1,554,425</u> | <u>124,222</u> | <u>-</u> | <u>1,678,647</u> |
| Carrying amount | | | | |
| At 31 December 2018 | <u>-</u> | <u>1,789,423</u> | <u>11,618,444</u> | <u>13,407,867</u> |
| At 31 December 2017 | <u>-</u> | <u>-</u> | <u>6,173,972</u> | <u>6,173,972</u> |

- 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.

- Products under development consist of qualifying expenditure incurred by the Company on the external development of pharmaceutical products which, once completed with regulatory approval, will be available for commercial use.

- The transfer in the gross carrying amount of Products under development and Products developed and in commercial use, reflect those products being developed by the company, for which regulatory approval has been received and are available for commercial use. Once achieved, the total costs for each product included within this category are amortised over 5 years or (if shorter) the life of the commercial agreement (with a marketing partner) for that product.

- Other adjustments relate to the cessation of a product under development due to economic reasons and the related costs to date have been expensed to the profit and loss accordingly.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

12 Tangible assets

| | Land and buildings £ | Plant & Machinery £ | Plant & Machinery under construction £ | Total £ |
|------------------------|----------------------------|---------------------------|--|-------------------|
| Cost | | | | |
| At 1 January 2018 | 8,991,934 | 29,384,646 | 2,503,966 | 40,880,546 |
| Additions | - | 25,190 | 13,442,191 | 13,467,381 |
| Disposals | - | (21,722) | - | (21,722) |
| Transfers | 6,696 | 1,818,401 | (1,825,097) | - |
| At 31 December 2018 | <u>8,998,630</u> | <u>31,206,515</u> | <u>14,121,060</u> | <u>54,326,205</u> |
| Depreciation | | | | |
| At 1 January 2018 | 901,901 | 12,346,099 | - | 13,248,000 |
| Charge for the year | <u>28,160</u> | <u>2,323,362</u> | <u>-</u> | <u>2,351,522</u> |
| At 31 December 2018 | <u>930,061</u> | <u>14,669,461</u> | <u>-</u> | <u>15,599,522</u> |
| Carrying amount | | | | |
| At 31 December 2018 | <u>8,068,569</u> | <u>16,537,054</u> | <u>14,121,060</u> | <u>38,726,683</u> |
| At 31 December 2017 | <u>8,090,033</u> | <u>17,038,547</u> | <u>2,503,966</u> | <u>27,632,546</u> |

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.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

13 Investments

| Unquoted investments | £ |
|------------------------|---|
| Cost | |
| At 1 January 2018 | 1 |
| Provision | |
| At 1 January 2018 | 1 |
| Carrying amount | |
| At 31 December 2018 | - |
| At 31 December 2017 | - |

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 | |
|---|---|-----------------|---|------|
| | | | 2018 | 2017 |
| 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.

14 Stocks

| | 2018 £ | 2017 £ |
|-------------------------------------|-------------------|-------------------|
| Raw materials and consumables | 10,639,215 | 8,753,530 |
| Work in progress | 7,583,636 | 5,371,338 |
| Finished goods and goods for resale | 1,670,087 | 3,643,822 |
| | <u>19,892,938</u> | <u>17,768,690</u> |

The cost of stocks recognised as an expense in the year amounted to £31,573,343 (2017 - £25,921,147).

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

15 Debtors

| | Note | 2018 £ | 2017 £ |
|---|------|-------------------|-------------------|
| Due within one year | | | |
| Trade debtors | | 13,595,521 | 18,494,179 |
| Amounts owed by fellow group undertakings | 24 | 526,612 | 972,191 |
| Other debtors | | 5,073,002 | 1,575,924 |
| Prepayments | | 1,896,290 | 753,821 |
| Deferred tax assets | 10 | 4,944,000 | 4,944,000 |
| | | <u>26,035,425</u> | <u>26,740,115</u> |
| Due after more than one year | | | |
| Other debtors | | <u>4,229,000</u> | <u>-</u> |

16 Cash at bank and in hand

| | | | |
|------------------------------|--|------------------|------------------|
| | | | (As restated) |
| | | 2018 £ | 2017 £ |
| Cash on hand | | 382 | 551 |
| Cash at bank | | 1,161,247 | 1,272,972 |
| Invoice financing facilities | | <u>-</u> | <u>1,378,484</u> |
| | | <u>1,161,629</u> | <u>2,652,007</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.

Refer to note 17 for details of restatement to the comparative figure.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

17 Creditors

| | | (As restated) | |
|--|------|-------------------|-------------------|
| | Note | 2018 £ | 2017 £ |
| Due within one year | | | |
| Loans and borrowings | 20 | 7,217,541 | 5,288,218 |
| Trade creditors | | 3,645,658 | 2,935,157 |
| Amounts due to fellow group undertakings | 24 | 15,615,296 | 8,554,198 |
| Social security and other taxes | | 904,257 | 605,512 |
| Other payables | | 149,423 | 164,157 |
| Accrued expenses | | 8,398,843 | 11,635,420 |
| Deferred income | | <u>2,733,669</u> | <u>1,127,641</u> |
| | | <u>38,664,687</u> | <u>30,310,303</u> |
| Due after one year | | | |
| Loans and borrowings | 20 | 2,999,997 | 5,499,997 |
| Deferred income | | <u>11,295,353</u> | <u>5,612,125</u> |
| | | <u>14,295,350</u> | <u>11,112,122</u> |

The prior year's comparative for loans and borrowings has been restated from £4,015,246 to £5,288,218 to better reflect the nature of the transaction. The amount has been reclassified to Cash at bank and in hand (note 16), where the comparative has been restated from £nil to £1,272,972.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

18 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 £3,090,671 (2017: £2,023,068).

Defined benefit pension schemes

The Fund is a funded scheme of the defined benefit ("DB") type (predominantly providing retirement benefits based on final salary). It has also defined contributions ("DC") sections and the amounts shown in these disclosures exclude the DC accounts and cashflow 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. Regular employer contributions to the DB section of the Fund in 2018 are estimated to be £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 (2017: £214,000).

The total cost relating to defined benefit schemes for the year included in the cost of an asset was £89,000 (2017: £-).

As at 31 December 2018, the fund had a surplus of £16.955m (2017: £15.703m) 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 (2017: £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 2018

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

| | 2018 £ | 2017 £ |
|---|--------------|--------------|
| Fair value of scheme assets | 74,974,000 | 77,179,000 |
| Present value of defined benefit obligation | (58,019,000) | (61,476,000) |
| | 16,955,000 | 15,703,000 |
| Other amounts not recognised in the balance sheet | (16,955,000) | (15,703,000) |
| Defined benefit pension scheme surplus/(deficit) | - | - |

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

| | 2018 £ |
|--------------------------------|-------------|
| Present value at start of year | 61,476,000 |
| Interest cost | 1,504,000 |
| Actuarial gains and losses | (2,336,000) |
| Benefits paid | (2,625,000) |
| Present value at end of year | 58,019,000 |

Fair value of scheme assets

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

| | 2018 £ |
|-----------------------------|-------------|
| Fair value at start of year | 77,179,000 |
| Interest income | 1,897,000 |
| Actuarial gains and losses | (1,477,000) |
| Net benefits paid | (2,625,000) |
| Fair value at end of year | 74,974,000 |

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Analysis of assets

The major categories of scheme assets are as follows:

| | 2018 £ | 2017 £ |
|-----------------------------------|-------------------|-------------------|
| Equity instruments | 7,190,000 | 7,878,000 |
| Government bonds (Indexed linked) | 22,440,000 | 21,242,000 |
| Corporate bonds | - | 12,857,000 |
| Diversified Growth Fund | 9,101,000 | 9,331,000 |
| Cash/net current assets | 21,880,000 | 17,699,000 |
| Leveraged Gilt Fund | 4,763,000 | 3,430,000 |
| Real fund | - | 108,000 |
| Hayfin Direct Lending Fund | 9,600,000 | 4,634,000 |
| | <u>74,974,000</u> | <u>77,179,000</u> |

Return on scheme assets

| | 2018 £ | 2017 £ |
|-------------------------|----------------|------------------|
| Return on scheme assets | <u>420,000</u> | <u>2,536,000</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:

| | 2018 % | 2017 % |
|--------------------------|-------------|-------------|
| Discount rate | 2.90 | 2.50 |
| Future pension increases | 3.10 | 3.10 |
| RPI inflation | 3.20 | 3.20 |
| CPI inflation | <u>2.10</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 25.9 years if they are male and for a further 28.0 years if they are female.

For an active member who retires in 2037 at age 60 the assumptions are that they will live on average for a further 29.2 years after retirement if they are male and for a further 31.1 years after retirement if they are female.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

19 Share capital

Allotted, called up and fully paid shares

| | 2018 | | 2017 | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
| | 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> |

20 Loans and borrowings

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Non-current loans and borrowings | | |
| Bank borrowings (b) | <u>2,999,997</u> | <u>5,499,997</u> |

(As restated)

| | 2018 £ | 2017 £ |
|-------------------------------------|------------------|------------------|
| Current loans and borrowings | | |
| Bank borrowings (b) | 2,500,000 | 2,000,000 |
| Bank overdrafts (a) | 2,214,443 | 3,288,218 |
| Other borrowings (c) | <u>2,503,098</u> | <u>-</u> |
| | <u>7,217,541</u> | <u>5,288,218</u> |

(a) Bank overdraft of £2,214,444 (2017: £2,015,246) 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 £5,499,997 (2017: £7,499,997) 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 2018

21 Obligations under leases

Operating leases

The total of future minimum lease payments is as follows:

| | 2018 | 2017 |
|---|----------------|----------------|
| | £ | £ |
| Not later than one year | 182,348 | 280,116 |
| Later than one year and not later than five years | 336,319 | 181,622 |
| Later than five years | 291,866 | 329,856 |
| | <u>810,533</u> | <u>791,594</u> |

22 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £1,703,339 (2017: £2,613,211).

23 Contingent liabilities

At the balance sheet date the following contingent liabilities existed:

Guarantee by the bank in favour of HM Revenue & Customs for £1,597,790 (2017: £950,000) and others for £556,914 (2018: £693,762)

24 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 a secured loan of £4,320,000 (2017: £2,750,000) which bears interest at 6.5%.

Piramal Healthcare UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

25 Parent and ultimate parent undertaking

The immediate parent undertaking at the year end was Piramal Dutch Holdings N.V, which is incorporated in Netherlands.

The ultimate parent undertaking 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.