Company Registration No. 02992795

# RANBAXY (U.K.) LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

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**COMPANY INFORMATION**

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|---|---|
| **DIRECTORS** | Mr N Sharma<br>Ms Hellen de Kloet<br>Prashant Savla -Appointed on 30 September 2016 |
| **REGISTERED OFFICE** | 5th Floor, Hyde Park Hayes 3<br>11 Millington Road, Hayes<br>Middlesex, UB3 4AZ |
| **BANKERS** | HSBC Bank Plc<br>92 Kensington High Street<br>Kensington<br>London<br>W8 4SH |
| **AUDITORS** | Kingston Smith LLP<br>Devonshire House<br>60 Goswell Road<br>London<br>EC1M 7AD |
| **COMPANY NUMBER** | 02992795 |

## REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

### Financial overview

Turnover for the year ended 31 March 2017 was £19.3m (2016: £33.5m), a decrease of 42%. Gross profit for the year ended 31 March 2017 was £4.2m (2016: £6.0m), a decrease of 30%. The profit before tax for the year was £0.92m compared to £3.5m during 2016.

### Turnover

Turnover for the year decreased by 42% compared to 2016 largely due to the transfer of business of Nordic markets with effect from March 2016 and one off sales to group undertakings in 2016. Third party sales remained consistently strong however there continues to be strong competition in existing molecules across the business.

### Gross Profit

Gross profit decreased by 30% compared to 2016 with an increase in gross margin from 18% to 22%. The increase in gross profit margin is attributed to bringing new products to the market and harnessing opportunities on existing products together with changes to the product mix. The company continues to focus on driving profitability by bringing new molecules to market.

### Operating Costs

In line with strategy, resources continue to be utilised in bringing products to market from which the company will benefit in the years to come. The company continues to monitor its cost base to ensure that profitability is maximised. Administrative costs have increased by 36% compared to last year and distribution costs have increased by 23% compared to 2016. The increase in distribution costs is attributed to a change in the model for the hospital segment and the transfer of business from a group undertaking. The increase in administrative costs is primarily attributed to the transfer of business from a group undertaking and higher favourable foreign exchange impact in the previous year.

### Financial Position

The financial position of the company remains strong with net current assets (excluding deferred tax) of £4.6m (2016: £12.6m) and net assets of £14.4m (2016: £13.7m). This position is expected to strengthen in line with future strategy.

### Strategy

The company continues to focus on delivering results. Resources have been directed to ensure that future launches are forthcoming and that the company reaches the market at the earliest opportunity. This drive is expected to result in further launches during the next financial year. The nature of the business will remain unchanged with focus on the UK market and the company will continue to identify and implement efficiencies and cost savings where possible to further improve profitability.

### Other Developments

From 1 April 2016, the company acquired the business of wholesale distribution of pharmaceutical products from a group undertaking : Sun Pharmaceuticals UK Limited.

## PRINCIPAL RISKS AND UNCERTAINTIES

The industry in which the company operates is subject to regulation. Potential future changes in such regulation may impact the company's ability to generate income, either through decreased revenues, increased expenditure or a combination of both. Failure to comply with relevant laws and regulations can potentially result in the suspension of sales. Management aims to mitigate such potential risk by monitoring for changes in the regulatory environment and where required implement procedures to ensure compliance. The company makes every effort to comply with relevant laws and regulations and internal reviews are conducted to ensure this. As a result we believe the transition to any potential new legislation will have minimal impact on revenues.

The directors recognise that continued competition puts pressure on our prices and margins. We believe that continued investment in and close management of our product range will enable us to maintain and improve on performance.

Strong competition in the generics market results in increased customer credit risk. The company minimises this risk by monitoring customers on an account level basis.

Foreign exchange risk is mitigated as far as possible by hedging costs against income streams in respective currencies. Foreign exchange risk arises from the purchase of some third party stocks in Euro. These stocks make up a relatively small proportion of total stocks.

This report was approved by the Board on 13 -June-2017.
On behalf of the Board

Mr Neeraj Sharma
**Director**
Ranbaxy (U.K.) Limited
5th Floor, Hyde Park Hayes 3
11 Millington Road, Hayes, UB3 4AZ

**DIRECTORS' REPORT**

The directors submit their annual report and the audited financial statements for the year ended 31 March 2017.

**1. PRINCIPAL ACTIVITY**
The company's principal activity comprises the distribution of generic and branded generic pharmaceuticals to wholesalers and pharmacy chains.

**2. RESULTS AND DIVIDENDS**
The directors report the result for the year as shown in the Statement of income and retained earnings on page 6.

The directors do not recommend the payment of a dividend (2016 - £nil).

**3. DIRECTORS AND DIRECTORS' INTERESTS**
The present directors of the company are set out on Page 2 .

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

Ms Hellen de Kloet
Mr N Sharma
Prashant Savla -Appointed on 30 September 2016
Mr V Rama Seshadri- Resigned on 30 September 2016

**4. STRATEGIC REPORT**
In accordance with section 414c (11) of the Companies Act 2006, the information relating to future developments and financial risk management is included in the Strategic Report.

**5. AUDITORS**
Pursuant to Section 487 (2) of the Companies Act 2006, the auditors will be deemed to be reappointed and Kingston Smith LLP will therefore continue in office.

**6. DISCLOSURE OF INFORMATION TO AUDITORS**
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**7. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC AND DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**
The directors are responsible for preparing the Strategic and Directors' Reports and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 then apply them consistently;
• make judgments and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

This report was approved by the Board on 13 -June-2017.
On behalf of the Board

Mr Neeraj Sharma
**Director**
Ranbaxy (U.K.) Limited
5th Floor, Hyde Park Hayes 3
11 Millington Road, Hayes
Middlesex, UB3 4AZ

We have audited the financial statements of Ranbaxy (U.K.) Limited for the year ended 31 March 2017 set out on pages 6 to14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland."

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.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:
• give a true and fair view of the state of the company's affairs as at 31 March 2017 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.

**Opinions 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

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

**Janice Riches (Senior Statutory Auditor)**
**for and on behalf of Kingston Smith LLP**

Chartered Accountants
Statutory Auditor
Devonshire House
60 Goswell Road
London
EC1M 7AD
13 -June-2017

**STATEMENT OF INCOME AND RETAINED EARNINGS**
**for the year ended 31 March 2017**

| | *Notes* | **Continuing Operations 2017 £** | **Discontinued Operations 2017 £** | **Total 2017 £** | Continuing Operations 2016 £ | Discontinued Operations 2016 £ | Total 2016 £ |
|---|---|---|---|---|---|---|---|
| **Turnover** | **3** | **18,467,428** | **815,700** | **19,283,128** | 17,836,157 | 15,633,255 | 33,469,412 |
| Cost of Sales | | **(14,521,226)** | **(544,068)** | **(15,065,294)** | (13,690,587) | (13,753,788) | (27,444,375) |
| **Gross Profit** | | **3,946,202** | **271,632** | **4,217,834** | 4,145,570 | 1,879,467 | 6,025,037 |
| Distribution costs | | **(939,092)** | **(41,479)** | **(980,571)** | (424,000) | (371,632) | (795,632) |
| Administrative expenses | | **(3,590,087)** | **(158,573)** | **(3,748,660)** | (1,471,458) | (1,289,722) | (2,761,180) |
| **Other operating income** | **4** | **1,368,693** | **60,455** | **1,429,148** | 544,810 | 477,522 | 1,022,332 |
| **Operating profit and Profit on ordinary activities before taxation** | **4** | **785,716** | **132,035** | **917,751** | 2,794,922 | 695,635 | 3,490,557 |
| Tax charge on profit on ordinary activities | **7** | **(170,654)** | **(28,677)** | **(199,331)** | (82,212) | (20,462) | (102,674) |
| **Retained profit on ordinary activities after taxation** | | **615,062** | **103,358** | **718,420** | 2,712,710 | 675,173 | 3,387,883 |
| Equity settled share based charge | | **2,178** | | **2,178** | 337 | | 337 |
| **Profit for the financial year and total comprehensive income** | | **617,240** | **103,358** | **720,598** | 2,713,047 | 675,173 | 3,388,220 |
| **Accumulated loss at the start of the year** | | | | **(8,061,876)** | | | (11,450,096) |
| **Accumulated loss at the end of the year** | | | | **(7,341,278)** | | | (8,061,876) |

There were no recognised gains or losses other than the profit for the financial year. The discontinued operations as disclosed above represent the company's Nordic division.

The notes on pages 8 - 14 form part of the financial statements.

**STATEMENT OF FINANCIAL POSITION**
**as at 31 March 2017**

| | Notes | | 2017 | | 2016 |
|---|---|---|---|---|---|
| | | | £ | | £ |
| **FIXED ASSETS** | | | | | |
| Intangible assets | 8 | | - | | - |
| Tangible assets | 9 | | 20,398 | | 24,417 |
| | | | 20,398 | | 24,417 |
| **CURRENT ASSETS** | | | | | |
| Stocks | 10 | 1,965,601 | | 3,219,283 | |
| Debtors | | | | | |
| - due within one year | 11 | 4,420,156 | | 18,617,829 | |
| - due after one year | 11 | 9,762,092 | | 1,088,522 | |
| Cash at bank and in hand | | 9,030,841 | | 5,884,400 | |
| | | 25,178,690 | | 28,810,034 | |
| **CREDITORS: amounts falling due within one year** | 12 | (10,790,366) | | (15,146,327) | |
| **NET CURRENT ASSETS** | | | 14,388,324 | | 13,663,707 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 14,408,722 | | 13,688,124 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | 14 | | 21,750,000 | | 21,750,000 |
| Profit & Loss Account | | | (7,341,278) | | (8,061,876) |
| **TOTAL EQUITY SHAREHOLDERS' FUNDS** | | | 14,408,722 | | 13,688,124 |

The notes on pages 8 - 14 form part of the financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 13 -June-2017.

Mr Neeraj Sharma
**Director**

**1.**

**ACCOUNTING POLICIES**

1.1 ***Company Information***

Ranbaxy (U.K.) Limited is a private company limited by shares which is domiciled and incorporated in England and Wales. The registered office is 5th Floor, Hyde Park Hayes 3, 11 Millington Road, Hayes, Middlesex, UB3 4AZ.

***Accounting Convention***

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and the requirements of the Companies Act 2006.
The financial statements have been prepared in sterling, which is the functional currency of the company.
Monetary amounts in these financial statements are rounded to the nearest pound.

1.2 ***Cash flow statement***

Under FRS 102 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

1.3 ***Intangible fixed assets and amortisation***

Intangible fixed assets are stated at cost less accumulated amortisation. Amortisation is provided on all intangible fixed assets to write off the costs, less estimated residual value, of each asset on a straight line basis over its expected useful life. Product licences (third party), including the associated costs of research and data collection, are amortised over the term of the licence from the product launch date.

1.4 ***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets at rates estimated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

| | |
|---|---|
| Office equipment | 5 years |
| Computer equipment & software | 3 years |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and carrying value of the asset and is credited or charged to the income statement.

1.5 ***Impairment of fixed assets***

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.
An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount and recognised in the income statement.
The recoverable amount of fixed assets is the greater of their net realisable value and value in use.
In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

1.6 ***Stocks***

Stocks are stated at the lower of cost and estimated net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition. Cost is determined on a weighted average basis.

1.7 ***Taxation***

The tax expense represents the sum of the tax currently payable and deferred tax.

Deferred Tax

Deferred tax liabilities are generally recognised for all timing differences.
Deferred tax assets are recognised in the income statement to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits.
The carrying amount of the deferred tax asset is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using the rates that have been enacted or substantively enacted by the reporting end date.

1.8 **Cash and cash equivalents**

Cash and cash equivalents include deposits held at call with banks.

1.9 **Financial instruments**

Basic financial instruments are measured at cost. The company has no other financial instruments or basic financial instruments measured at fair value.

1.10 **Equity Instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.
Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**ACCOUNTING POLICIES (continued)**

1.11 ***Income Recognition***
Turnover represents amounts receivable for goods net of trade discounts, VAT and other related taxes. Turnover is recognised on delivery of goods to customers.

Turnover relating to distributor arrangements is net of accruals made for expected market price changes in accordance with terms agreed.

Other operating income is recognised on completion or performance of activities to the extent that settlement is probable. In the case of contractual licensing arrangements income is recognised where the rights to consideration have arisen on the performance of key milestones at a fair value of the service provided as a proportion of the total fair value of the contract.

1.12 ***Operating leases***
Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

1.13 ***Foreign currencies***
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are recognised in the income statement.

1.14 ***Pensions***
The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. Contributions payable to the scheme in respect of the accounting period are charged to the income statement.

1.15 ***Employee Benefits***
The cost of short term employee benefits are recognised as a liability and an expense.

The cost of unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 ***Share-based incentives***
Certain of the company's employees participate in equity-settled share-based payment schemes operated by the Ranbaxy group. Following the acquisition of the Ranbaxy group by Sun Pharmaceutical Industries Ltd in March 2015, all unexercised options held at acquisition were converted in the ratio equivalent to 0.8 shares in Sun Pharmaceutical Industries Ltd. for every share held in Ranbaxy.
In accordance with FRS 102 the fair value of equity-settled share-based payments to employees is at the date of grant and is expensed on a straight-line basis over the vesting period based on the company's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model. Further details are set out in note 6.

1.17 ***Going concern***
The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report. The financial position of the company, its liquidity position and borrowing facilities are also described in the Strategic Report together with principal risks and uncertainties affecting the business.

The company has sufficient current assets to cover its liabilities. As a consequence, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY

While applying accounting policies described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that may not be apparent and readily available from other sources. Estimates and assumptions are based on past experience and any other relevant factors. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

**Key sources of estimation uncertainty**

**Stock Provision**
The company assesses the value of stock for any impairment at the end of each reporting period. Management consider factors including batch expiry dates, historical experience of sales and orders held. See note 10 for the net carrying amount of stock and associated impairment provisions.

**Deferred tax**
Deferred tax assets are recognised when the Directors consider it is probable that they will be recovered against future taxable profits. The directors consider that in the forthcoming financial periods, based on forecast results, sufficient taxable profits will be generated to utilise the deferred tax assets included in the statement of financial position.

**Bad Debt Provision**
The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the aged profile of debtors and historical experience. See note 11 for the net carrying amount of debtors and associated impairment provisions.

**Bonus Provision**
The company operates a bonus scheme for most employees based on achieving certain business results as well as personal metrics. The accounts include a provision for the bonuses due for the year based on the latest assessment of the likelihood of relevant employees achieving their set goals and targets.

## 3. ANALYSIS OF TURNOVER

The analysis of turnover, all derived from the sale of generic pharmaceutical products, was as follows:

**Turnover by geographical destination**

| | **2017** | 2016 |
|---|---|---|
| | **£** | £ |
| UK | **18,467,428** | 17,825,838 |
| Rest of Europe | **815,700** | 15,643,574 |
| **Total** | **19,283,128** | 33,469,412 |

## 4. PROFIT ON ORDINARY ACTIVITIES

| | **2017** | 2016 |
|---|---|---|
| **Profit on ordinary activities before taxation is stated after charging/(crediting):** | **£** | £ |
| Depreciation of tangible fixed assets | **15,783** | 8,839 |
| Foreign exchange gain | **(281,140)** | (410,399) |
| Inventories recognised as an expense | **15,065,294** | 27,444,375 |
| Amortisation and impairment of intangible assets | **-** | 30,850 |
| Operating lease rental of building including service charges | **95,822** | 120,008 |
| **Amounts payable to the auditors, in respect of:** | | |
| Audit of these financial statements | **22,500** | 34,000 |
| Audit - related assurance services | **13,774** | 19,200 |
| **Other operating income includes:** | | |
| Income from granting marketing/distribution rights | **48,300** | 211,444 |
| Management Services | **1,353,633** | 742,042 |
| Others | **27,215** | 68,846 |
| | **1,429,148** | 1,022,332 |

| | | **2017** | 2016 |
|---|---|---|---|
| **5.** | **DIRECTORS' EMOLUMENTS** | **£** | £ |
| | Emoluments for the directors during the year were: | | |
| | Remuneration for services as director | **576,515** | 360,261 |
| | | **576,515** | 360,261 |

Directors were also remunerated by fellow group companies. Where remuneration was paid to directors by fellow group companies it did not include any amounts in respect of qualifying services for Ranbaxy (U.K.) Limited and is not included above.

The total emoluments of the highest paid director were £442,399 (2016: £202,032)

| | | **2017** | 2016 |
|---|---|---|---|
| **6.** | **EMPLOYEE NUMBERS AND REMUNERATION** | | |
| | Aggregate payroll costs, including directors, were as follows: | **£** | £ |
| | Wages and salaries | **2,028,784** | 1,630,455 |
| | Social security costs | **253,953** | 187,087 |
| | Pension costs | **115,991** | 87,283 |
| | Equity settled share based charge | **2,178** | 337 |
| | | **2,400,906** | 1,905,162 |

As at the balance sheet date, pension contributions amounting to £12,972 (2016: £40,627) were included in other creditors.
Average monthly number of employees, analysed by category was as follows:

| | **2017** | 2016 |
|---|---|---|
| | **Nos.** | Nos. |
| Sales | **5** | 2 |
| Administration | **15** | 13 |
| | **20** | 15 |

Certain management staff of the company participate in stock option schemes (ESOP) operated by Ranbaxy Laboratories Limited. Following the acquisition of the Ranbaxy group by Sun Pharmaceutical Industries Ltd. all unexercised options held at acquisition were converted in the ratio equivalent to 0.8 shares in Sun Pharmaceutical Industries Ltd. for every share held in Ranbaxy. The shares of Sun Pharmaceutical Industries Ltd. are listed on the Bombay Stock Exchange (Traded in 'A' Group) and on the National Stock Exchange, both exchanges are located in India.

For options granted prior to and including the grant of 24th February 2010 options vest over a period of five years from the date of grant with 20% of the options vesting at the end of each year. These options lapse if they are not exercised prior to the expiry date, which is ten years from the date of the grant.

For subsequent grants, under a new ESOP, options vest over a three year period from the date of grant with 33.33% of the options vesting at the end of each year. These options will lapse if not exercised within three months of vesting.

The weighted average fair value of options exercised during the period was INR 469.65 for grant date of 08/05/2014, INR 233 for grant date of 17/01/2007 and INR 107 for grant date of 16/01/2008.

Details of outstanding share options in Sun Pharmaceutical Industries Limited awarded to certain management staff of the Company are set out below.

| Grant Date | Outstanding at 1 Apr '16 | Granted | Exercised | Forfeited | Lapsed | Outstanding at 31 Mar '17 | Exercise Price £ | Exercisable at 31 Mar '17 | Exercise/Vesting Period |
|---|---|---|---|---|---|---|---|---|---|
| 17/01/2007 | 720 | 0 | 720 | 0 | 0 | 0 | 5.03 | 0 | 17/01/2008 – 17/01/2012 |
| 16/01/2008 | 360 | 0 | 360 | 0 | 0 | 0 | 5.08 | 0 | 16/01/2009 - 16/01/2013 |
| 24/02/2010 | 720 | 0 | 0 | 0 | 720 | 0 | 6.30 | 0 | 24/02/2011 - 24/02/2015 |
| 20/01/2013 | 136 | 0 | 0 | 0 | 136 | 0 | 0.06 | 0 | 20/01/2014 - 20/01/2016 |
| 08/05/2014 | 377 | 0 | 377 | 0 | 0 | 0 | 0.05 | 0 | 08/05/2015 - 08/05/2017 |
| **Total** | **2,313** | **0** | **1,457** | **0** | **856** | **0** | | **0** | |

Exercise prices and fair values have been translated from Indian Rupees to British Pounds at the exchange rate ruling at the grant date.

## 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| UK corporation tax on profits for the current period | **18,646** | 13,175 |
| Adjustment in respect of prior years | **2,626** | - |
| Current year tax charge | **21,272** | 13,175 |
| Deferred tax charge (see note 13) | **178,059** | 89,499 |
| **Total tax charge** | **199,331** | 102,674 |

**Factors affecting the tax charge for the year.**

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 20% (2016: 20%)

The difference is explained as follows:

| | 2017 | 2016 |
|---|---|---|
| Profit on ordinary activities before taxation | **917,751** | 3,490,557 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom at 20% (2016: 20%) | **183,550** | 698,111 |
| Effect of: | | |
| Expenses not deductible for tax purposes | **13,155** | 35,897 |
| Adjustment for previous year tax | **2,626** | - |
| Losses not previously recognised | **-** | (631,335) |
| Tax expense for the year. | **199,331** | 102,673 |

**Factors that may affect future, current and total tax charges**

The standard rate of corporation tax effective from 1 April 2015 was 20%.

Effective from 1 April 2017 the enacted standard rate of corporation tax is 19%, this rate will remain unchanged until 2020. According to the Autumn Budget statement of 2016, the main corporation tax rate would be reduced to 17% effective 1 April 2020.

## 8. INTANGIBLE FIXED ASSETS

| | **Product Licences** |
|---|---|
| | **£** |
| **At Cost:** | |
| 1 April 2016 | **360,104** |
| **31 March 2017** | **360,104** |
| **Amortisation and impairment** | |
| 1 April 2016 | **360,104** |
| **31 March 2017** | **360,104** |
| **Net book value :** | |
| **31 March 2017** | **-** |
| 31 March 2016 | - |

## 9. TANGIBLE FIXED ASSETS

| | **Office equipment** | **Computer equipment & software** | **Total** |
|---|---|---|---|
| | **£** | **£** | **£** |
| **At Cost:** | | | |
| 1 April 2016 | 16,837 | 35,573 | 52,410 |
| Additions | 575 | 11,189 | 11,764 |
| **31 March 2017** | **17,412** | **46,762** | **64,174** |
| **Depreciation:** | | | |
| 1 April 2016 | 4,098 | 23,895 | 27,993 |
| Charge for the year | 7,216 | 8,567 | 15,783 |
| **31 March 2017** | **11,314** | **32,462** | **43,776** |
| **Net book value :** | | | |
| **31 March 2017** | **6,098** | **14,300** | **20,398** |
| 31 March 2016 | 12,739 | 11,678 | 24,417 |

**10. STOCKS**

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Finished goods held for resale | **1,965,601** | 3,219,283 |

Stocks are stated after provision for impairment of £1,037,247 (2016 : £1,413,694).

**11. DEBTORS:**

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Amounts falling due within one year: | | |
| Trade debtors | **2,911,624** | 4,964,690 |
| Amounts due from group undertakings | **1,363,468** | 5,178,694 |
| Other debtors | **81,550** | 8,417,041 |
| Prepayments and accrued income | **45,150** | 57,404 |
| Deferred tax (see note 13) | **18,364** | - |
| | **4,420,156** | 18,617,829 |
| Amounts falling due after more than one year: | | |
| Other debtors | **8,869,993** | - |
| Deferred tax (see note 13) | **892,099** | 1,088,522 |
| | **9,762,092** | 1,088,522 |

Trade debtors are stated after provisions for impairment of £15,309 (2016 : £38,045)

The company has paid a deposit of €10.3m, which as at 31 March 2017 equated to £8.85m, on behalf of the group to the EU Commission. As at 31 March 2016, it was anticipated that the event that would trigger the recovery of this balance would occur in September 2016 and accordingly the debtor was classified as an amount due within one year. During the year ended 31 March 2017, the trigger event has been deferred and is now not expected to occur until summer 2019. As a result, as at 31 March 2017, the debtor is classified as being due in more than one year from the balance sheet date.

**12. CREDITORS:** amounts falling due within one year

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Trade creditors | **10,112** | 50,435 |
| Amounts owed to group undertakings | **9,284,505** | 13,777,405 |
| Corporation tax | **18,647** | 13,175 |
| Social security costs and other taxes | **356,645** | 116,275 |
| Other creditors | **12,972** | 40,627 |
| Accruals and deferred income | **1,107,485** | 1,148,410 |
| | **10,790,366** | 15,146,327 |

The company has a bank overdraft facility and a composite facility available to use which is secured by a fixed and floating charge over all assets. Neither facility was utilised during the year.

**13. DEFERRED TAXATION**

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Deferred tax asset (liability): | | |
| At 1 April 2016 | **1,088,522** | 1,178,021 |
| Movement in the year | **(178,059)** | (89,499) |
| At 31 March 2017 | **910,463** | 1,088,522 |

Deferred taxation included in the financial statements is set out below:

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Deferred tax asset (liability): | | |
| Decelerated capital allowances | **17,046** | 21,670 |
| Other timing differences | **18,364** | 18,433 |
| Losses to be utilised | **875,053** | 1,048,419 |
| | **910,463** | 1,088,522 |

**Factors that may affect future tax charges**

The directors have assessed that the taxable losses will be utilised in the next 5 years to justify the inclusion of a deferred tax asset of £0.91 million as at 31 March 2017. This is based upon the fact that the company has generated strong profits for five successive periods having overcome factors causing earlier losses. This is based upon detailed forecasts that the directors have prepared to support their medium term plans.

The rate of UK corporation tax enacted at the balance sheet date is 20% applicable from 1 April 2015. The corporation tax rate enacted for period beginning 1 April 2017 is 19% , this rate will remain unchanged until 2020. Effective 1 April 2020, the corporation tax rate would be reduced to 17%. There are no other factors that may significantly affect future tax charges.

Based on current plans, the company will have sufficient brought forward tax losses available to offset against future taxable profits for the foreseeable future thereby reducing future tax payments.

**14. SHARE CAPITAL**

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Called up, allotted and fully paid | **21,750,000** | 21,750,000 |
| ( 21,750,000 ordinary shares of £1 each ) | | |

**15. FUTURE FINANCIAL COMMITMENTS**

**Operating Leases**

At the reporting end date the company had the following commitments for future minimum lease payments under non- cancellable operating leases which fall due as follows:

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| within one year | **126,291** | 98,448 |
| In two to five years time | **101,561** | 160,794 |
| | **227,852** | 259,242 |

**16. TRANSACTIONS WITH RELATED PARTIES**

The Company is exempt from the requirement to disclose transactions with other group companies on the grounds that all of its voting rights are controlled by Sun Pharmaceutical Industries Ltd. and Ranbaxy (U.K.) Limited's results are consolidated within the financial statements of Sun Pharmaceutical Industries Ltd.

**Transactions with key management personnel**

A non-interest bearing loan was made to a director during the year, and this was outstanding during the year. The amount due to the Company at the beginning of the year was £11,454, the maximum during the year was £26,219 and at the end of the year was £18,753.
See note 5 for disclosure of the directors' remuneration and key management compensation.

**17. ULTIMATE HOLDING COMPANY**

The Company's shares are wholly owned by Ranbaxy (Netherlands) BV. whose ultimate parent company is Sun Pharmaceutical Industries Ltd.

The smallest and largest group in which the results of the company are consolidated is that of Sun Pharmaceutical Industries Ltd., incorporated in India. The consolidated financial statements of this group are available to the public and may be obtained from the Company Secretary at the Sun Pharma Advanced Research Centre (SPARC), Tandalja, Akota Road, Vadodra - 390020, Gujarat, India.

The directors regard Sun Pharmaceutical Industries Ltd. as the ultimate controlling party.