

Company Registration No. 02992795

RANBAXY (U.K.) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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COMPANY INFORMATION

DIRECTORS

Mr N Sharma
Ms Hellen de Kloet
Mr Prashant Savla

REGISTERED OFFICE

5th Floor, Hyde Park Hayes 3
11 Millington Road, Hayes
Middlesex, UB3 4AZ

BANKERS

HSBC Bank Plc
92 Kensington High Street
Kensington
London
W8 4SH

AUDITOR

Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD

COMPANY NUMBER

02992795

STRATEGIC REPORT

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

Financial overview

Turnover for the year ended 31 March 2018 was £20.7m (2017: £19.3m), an increase of 7%. Gross profit for the year ended 31 March 2018 was £3.8m (2017: £4.2m), a decrease of 9%. The profit before tax for the year was £0.84m compared to £0.92m during 2017.

Turnover

Turnover for the year increased by 7% compared to 2017. This is due to growth of sales in core molecules through existing sales channels. 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 9% compared to 2017 with a decrease in gross margin from 22% to 19%. The decrease in gross profit margin is due to continued pricing pressure in the local generic market 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 decreased by 20% compared to last year and distribution costs have decreased by 21% compared to 2017. The decrease in distribution costs is attributed to re-negotiation of terms of trade with the service providers during the year. The decrease in administrative costs is primarily attributed to the transfer of key personnel to group undertaking and other cost control measures exercised during the year.

Financial Position

The financial position of the company remains strong with net current assets (excluding deferred tax) of £14.3m (2017: £4.6m) and net assets of £15.1m (2017: £14.4m). 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.

Key performance Indicators

The company's key performance indicators are turnover and gross profit. The variances in which are set out above together with the reasons for the changes.

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 implementing 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 third party stocks in Euro. These stocks make up a relatively small proportion of total stocks.

This report was approved by the Board on 15 May 2018.
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 2018.

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 7.

The directors do not recommend the payment of a dividend (2017 - £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
Mr Prashant Savla

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 AUDITOR

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 auditor is 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 auditor is 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 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.

This report was approved by the Board on 15 May 2018.

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

Independent auditor's report to the members of Ranbaxy (U.K.) Limited

Opinion

We have audited the financial statements of Ranbaxy (U.K.) Limited for the year ended 31 March 2018 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and the 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 FRS 102 'The Financial Reporting Standard Applicable in the UK and 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 March 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 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.

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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

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.

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 the light of the 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 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.

Responsibilities of directors

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, 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report to the members of Ranbaxy (U.K.) Limited.....Continued

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during 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
15 May 2018

STATEMENT OF INCOME AND RETAINED EARNINGS
for the year ended 31 March 2018

	<i>Notes</i>	Continuing Operations 2018 £	Discontinued Operations 2018 £	Total 2018 £	Continuing Operations 2017 £	Discontinued Operations 2017 £	Total 2017 £
Turnover	3	20,667,179	-	20,667,179	18,467,428	815,700	19,283,128
Cost of Sales		(16,822,532)	-	(16,822,532)	(14,521,226)	(544,068)	(15,065,294)
Gross Profit		<u>3,844,647</u>	-	<u>3,844,647</u>	3,946,202	271,632	4,217,834
Distribution costs		(775,044)	-	(775,044)	(939,092)	(41,479)	(980,571)
Administrative expenses		(3,015,686)	-	(3,015,686)	(3,590,087)	(158,573)	(3,748,660)
Other operating income	4	783,512	-	783,512	1,368,693	60,455	1,429,148
Operating profit and Profit on ordinary activities before taxation	4	<u>837,429</u>	-	<u>837,429</u>	785,716	132,035	917,751
Tax charge on profit on ordinary activities	7	(186,952)	-	(186,952)	(170,654)	(28,677)	(199,331)
Retained profit on ordinary activities after taxation		650,477	-	650,477	615,062	103,358	718,420
Equity settled share based charge		2,695	-	2,695	2,178	-	2,178
Profit for the financial year and total comprehensive income		<u>653,172</u>	-	<u>653,172</u>	617,240	103,358	720,598
Accumulated loss at the start of the year				<u>(7,341,278)</u>			<u>(8,061,876)</u>
Accumulated loss at the end of the year				<u>(6,688,106)</u>			<u>(7,341,278)</u>

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

The notes on pages 9 - 15 form part of the financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Intangible assets	8	-	-
Tangible assets	9	<u>8,050</u>	<u>20,398</u>
		8,050	20,398
CURRENT ASSETS			
Stocks	10	4,326,532	1,965,601
Debtors			
- due within one year	11	15,135,781	4,420,156
- due after one year	11	724,131	9,762,092
Cash at bank and in hand		<u>8,165,877</u>	<u>9,030,841</u>
		28,352,321	25,178,690
CREDITORS: amounts falling due within one year	12	<u>(13,298,477)</u>	<u>(10,790,366)</u>
NET CURRENT ASSETS		15,053,844	14,388,324
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,061,894</u>	<u>14,408,722</u>
CAPITAL AND RESERVES			
Share capital	14	21,750,000	21,750,000
Profit & Loss Account		(6,688,106)	(7,341,278)
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>15,061,894</u>	<u>14,408,722</u>

The notes on pages 9 - 15 form part of the financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 15 May 2018.

Mr Neeraj Sharma
Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

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 Reduced Disclosures

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements :

Section 7 'Statement of Cash Flows' and related notes and disclosures;

Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' -11.42 Disclosure of terms and conditions of related party debt; and

Section 26 'Share Based Payment' -26.188, 26.19, 26.23 disclosure of details of share based payments related to Parent Company's Equity.

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 is 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

2. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

	2018	2017
	£	£
UK	20,283,416	18,467,428
Rest of Europe	383,763	815,700
Total	20,667,179	19,283,128

4. **PROFIT ON ORDINARY ACTIVITIES**

	2018	2017
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	13,387	15,783
Foreign exchange gain	(74,016)	(281,140)
Inventories recognised as an expense	16,822,532	15,065,294
Operating lease rental of building including service charges	120,111	95,822
Amounts payable to the auditors, in respect of:		
Audit of these financial statements	22,500	22,500
Audit - related assurance services	13,875	13,774
Other operating income includes:		
Income from granting marketing/distribution rights	-	48,300
Management Services	734,205	1,353,633
Others	49,307	27,215
	783,512	1,429,148

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

5.	DIRECTORS' EMOLUMENTS	2018	2017
		£	£
	Emoluments for the directors during the year were:		
	Remuneration for services as director	140,182	576,515
		<u>140,182</u>	<u>576,515</u>

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 £140,182 (2017: £442,399).

The remuneration of key management personnel, (who are also directors) is £140,182 (2017: £576,515)

6.	EMPLOYEE NUMBERS AND REMUNERATION	2018	2017
		£	£
	Aggregate payroll costs, including directors, were as follows:		
	Wages and salaries	1,477,642	2,028,784
	Social security costs	186,167	253,953
	Pension costs	115,635	115,991
	Equity settled share based charge	2,695	2,178
		<u>1,782,139</u>	<u>2,400,906</u>

As at the balance sheet date, pension contributions amounting to £56,100 (2017: £12,972) were included in other creditors.

Average monthly number of employees, analysed by category was as follows:

	2018	2017
	Nos.	Nos.
Sales	5	5
Administration	14	15
	<u>19</u>	<u>20</u>

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 in 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. 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 459 for grant date of 08/05/2014.

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 '17					Outstanding at 31 Mar '18	Exercise Price £	Exercisable at 31 Mar '18	Exercise/Vesting Period
	Granted	Exercised	Forfeited	Lapsed					
08/05/2014	0	0	477	0	0	0	0.05	0	08/05/2015 - 08/05/2017
Total	0	0	477	0	0	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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

7.	TAX ON PROFIT ON ORDINARY ACTIVITIES	2018	2017
		£	£
	UK corporation tax on profits for the current period	12,106	18,646
	Adjustment in respect of prior years	1,354	2,626
	Current year tax charge	<u>13,460</u>	<u>21,272</u>
	Deferred tax charge (see note 13)	173,492	178,059
	Total tax charge	<u>186,952</u>	<u>199,331</u>

Factors affecting the tax charge for the year.

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom at 19% (2017: 20%)

The difference is explained as follows:

Profit on ordinary activities before taxation	<u>837,429</u>	<u>917,751</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom at 19% (2017: 20%)	159,112	183,550
Effect of:		
Expenses not deductible for tax purposes	26,486	13,155
Adjustment for previous year tax	1,354	2,626
Tax expense for the year.	<u>186,952</u>	<u>199,331</u>

Factors that may affect future, current and total tax charges

Effective from 1 April 2017 the standard rate of corporation tax is 19%, this rate will remain unchanged until 2020. The Finance Act 2016 provides for the main corporation tax rate to be reduced to 17% effective 1 April 2020.

8.	INTANGIBLE FIXED ASSETS	Product Licences
		£
	At Cost:	
	1 April 2017	360,104
	Disposal	(191,484)
	31 March 2018	<u>168,620</u>
	Amortisation and impairment	
	1 April 2017	360,104
	Disposal	(191,484)
	31 March 2018	<u>168,620</u>
	Net book value :	
	31 March 2018	<u>-</u>
	31 March 2017	<u>-</u>

9.	TANGIBLE FIXED ASSETS	Office equipment	Computer equipment & software	Total
		£	£	£
	At Cost:			
	1 April 2017	17,412	46,762	64,174
	Additions	-	1,039	1,039
	31 March 2018	<u>17,412</u>	<u>47,801</u>	<u>65,213</u>
	Depreciation:			
	1 April 2017	11,314	32,462	43,776
	Charge for the year	4,465	8,922	13,387
	31 March 2018	<u>15,779</u>	<u>41,384</u>	<u>57,163</u>
	Net book value :			
	31 March 2018	<u>1,633</u>	<u>6,417</u>	<u>8,050</u>
	31 March 2017	<u>6,098</u>	<u>14,300</u>	<u>20,398</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

10.	STOCKS	2018	2017
		£	£
	Finished goods held for resale	<u>4,326,532</u>	<u>1,965,601</u>

Stocks are stated after provision for impairment of £1,101,361 (2017 : £1,037,247).

11.	DEBTORS:	2018	2017
		£	£
	Amounts falling due within one year:		
	Trade debtors	4,924,163	2,911,624
	Amounts due from group undertakings	1,038,493	1,363,468
	Other debtors	9,100,903	81,550
	Prepayments and accrued income	42,815	45,150
	Deferred tax (see note 13)	29,407	18,364
		<u>15,135,781</u>	<u>4,420,156</u>

Amounts falling due after more than one year:

	Other debtors	16,567	8,869,993
	Deferred tax (see note 13)	707,564	892,099
		<u>724,131</u>	<u>9,762,092</u>

Trade debtors are stated after provisions for impairment of £39,598 (2017 : £15,309).

The company has paid a deposit of €10.3m, which as at 31 March 2018 equated to £9.04m, on behalf of Sun Pharmaceutical Industries Ltd to the EU Commission. As at 31 March 2017, it was anticipated that the event that would trigger the recovery of this balance would occur in late 2018 and accordingly the debtor was classified as an amount due in more than one year. During the year ended 31 March 2018, the estimated trigger event date has been deferred and is now not expected to occur until the first quarter of 2019. As a result, as at 31 March 2018, the debtor is classified as being due in less than one year from the balance sheet date.

12.	CREDITORS: amounts falling due within one year	2018	2017
		£	£
	Trade creditors	1,106,459	10,112
	Amounts owed to group undertakings	10,714,320	9,284,505
	Corporation tax	12,106	18,647
	Social security costs and other taxes	818,253	356,645
	Other creditors	56,100	12,972
	Accruals and deferred income	591,239	1,107,485
		<u>13,298,477</u>	<u>10,790,366</u>

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	2018	2017
		£	£
	Deferred tax asset (liability):		
	At 1 April 2017	910,463	1,088,522
	Movement in the year	(173,492)	(178,059)
	At 31 March 2018	<u>736,971</u>	<u>910,463</u>

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

	2018	2017
	£	£
Deferred tax asset (liability):		
Decelerated capital allowances	17,411	17,046
Other timing differences	29,407	18,364
Losses to be utilised	690,153	875,053
	<u>736,971</u>	<u>910,463</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

DEFERRED TAXATION.. Contd**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 £0.74 million as at 31 March 2018. 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 19% applicable from 1 April 2017. This rate will remain unchanged until 2020. Effective 1 April 2020, the corporation tax rate will 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	2018	2017
		£	£
	Called up, allotted and fully paid (21,750,000 ordinary shares of £1 each)	<u>21,750,000</u>	<u>21,750,000</u>

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:

	2018	2017
	£	£
within one year	97,176	126,291
In two to five years time	6,331	101,561
	<u>103,507</u>	<u>227,852</u>

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 received by a director during the year.

The amount due to the Company at the beginning of the year was £18,753, the maximum during the year was £18,753 and at the end of the year was £Nil.

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 Sun Pharma (Netherlands) B.V. (Previously known as Ranbaxy (Netherlands) B.V.) 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.

Sun Pharmaceutical Industries Ltd. is the ultimate parent company. The ultimate controlling party of Sun Pharmaceutical Industries Ltd. is Mr Dilip Shanghvi and his relatives alongwith persons acting in concert.