

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 March 2018
for
Glenmark Pharmaceuticals Europe Limited

Opinion

We have audited the financial statements of Glenmark Pharmaceuticals Europe Limited (the 'company') for the year ended 31 March 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).

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 in a Report of the Auditors 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.

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 Auditors' 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 in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and 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, 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.

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

Report of the Independent Auditors to the Members of
Glenmark Pharmaceuticals Europe Limited (Registered number: 05040260)

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 Report of the Directors.

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 three, 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 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.

Our 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 a Report of the Auditors 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 Report of the Auditors.



Devender Arora ACA
(Senior Statutory Auditor)
PBG Associates Limited
Chartered Accountant & Statutory Auditor
65 Delamere Road,
Hayes, Middx UB4 0NN

Date: 24 May 2018

Glenmark Pharmaceuticals Europe Limited (Registered number: 05040260)

Profit and Loss Account
for the Year Ended 31 March 2018

	Notes	2018 £	2017 £
TURNOVER	2	54,365,165	51,565,675
Cost of sales		<u>34,633,708</u>	<u>37,303,823</u>
GROSS PROFIT		19,731,457	14,261,852
Administrative expenses		<u>17,290,763</u>	<u>12,728,350</u>
		2,440,694	1,533,502
Other operating income	3	<u>78,576</u>	<u>43,940</u>
OPERATING PROFIT	5	2,519,270	1,577,442
Interest payable and similar expenses	6	<u>(496,298)</u>	<u>(119,733)</u>
PROFIT BEFORE TAXATION		2,022,972	1,457,709
Tax on profit	7	<u>402,057</u>	<u>286,744</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>1,620,915</u></u>	<u><u>1,170,965</u></u>

Glenmark Pharmaceuticals Europe Limited (Registered number: 05040260)

Statement of Comprehensive Income
for the Year Ended 31 March 2018

	Notes	2018 £	2017 £
PROFIT FOR THE YEAR		1,620,915	1,170,965
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,620,915</u>	<u>1,170,965</u>

Glenmark Pharmaceuticals Europe Limited (Registered number: 05040260)

Balance Sheet
31 March 2018

	Notes	2018		2017	
		£	£	£	£
FIXED ASSETS					
Intangible assets	8		6,330,061		4,791,822
Tangible assets	9		258,980		453,834
Investments	10		<u>555,415</u>		<u>555,415</u>
			7,144,456		5,801,071
CURRENT ASSETS					
Stocks	11	8,774,083		9,225,752	
Debtors	12	11,376,586		18,245,006	
Cash at bank		<u>23,402,702</u>		<u>12,461,319</u>	
		43,553,371		39,932,077	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>37,765,160</u>		<u>34,421,396</u>	
NET CURRENT ASSETS			<u>5,788,211</u>		<u>5,510,681</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>12,932,667</u>		<u>11,311,752</u>
CAPITAL AND RESERVES					
Called up share capital	15	6,285,121		6,285,121	
Retained earnings	16	<u>6,647,546</u>		<u>5,026,631</u>	
SHAREHOLDERS' FUNDS			<u>12,932,667</u>		<u>11,311,752</u>
			<u>12,932,667</u>		<u>11,311,752</u>

The financial statements were approved by the Board of Directors on 24 MAY 2018 and were signed on its behalf by:



 Oliver Henry Bourne - Director

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

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 April 2016	-	3,855,666	3,855,666
Changes in equity			
Issue of share capital	6,285,121	-	6,285,121
Total comprehensive income	-	<u>1,170,965</u>	<u>1,170,965</u>
Balance at 31 March 2017	<u>6,285,121</u>	<u>5,026,631</u>	<u>11,311,752</u>
Changes in equity			
Total comprehensive income	-	<u>1,620,915</u>	<u>1,620,915</u>
Balance at 31 March 2018	<u>6,285,121</u>	<u>6,647,546</u>	<u>12,932,667</u>

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

1. **ACCOUNTING POLICIES**

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards including financial Reporting Standards including Financial Reporting Standard 102- The Financial Reporting Standards Applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are presented in sterling which is the functional currency of the company.

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

Cash flow statement exemption

The company, being a subsidiary undertaking of the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statements in accordance with FRS 102.

Related party exemption

The company is wholly owned subsidiary of Glenmark Pharmaceuticals Limited, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in section 33 of FRS 102 from disclosing transactions with Glenmark Pharmaceuticals limited and its wholly owned subsidiaries.

Turnover

Turnover represent the value of goods sold and work carried out in respect of services provided to customers. Turnover is stated net of value added tax and it includes shipping and handling costs, which generally are included in the list price to the customer.

Revenue from sale of goods is recognised when title to the product, ownership and risk have been transferred to the customer, which can be on the date of shipment or the date of receipt by the customer.

Turnover is recorded net of trade promotion and discount, which is recognised as incurred, generally at the time of sale. Accruals for expected promotion and discount payouts to customer are included as accruals in the Balance Sheet.

Revenue from services is recognised on completion of such services. In case of re Out- license services, revenue is recognised on a milestone basis.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Plant and machinery	25% straight line
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Plant and machinery include Computer Equipment, Furniture & fittings and Office Equipment.

Investments

Long-term investments are stated at cost. Provision, where necessary, is made to recognise a permanent diminution in the value of the investments.

Stocks - inventories (finished goods)

Inventories are valued at the lower of weighted average cost and net realizable value.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Potential taxation arising from the revaluation of fixed assets is not provided for until there is a firm commitment to sell the asset.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

1. **ACCOUNTING POLICIES - continued**

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the assets have passed to the company, are capitalized in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

The Interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rental paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company makes contributions to the personal pension schemes of the employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Intangible fixed assets

Product development expenditure

Product development expenditure relating to the new and improved products and/or process development is recognised as an intangible asset to the extent that such asset will generate future economic benefits.

Product development expenditure is reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Product development costs are amortised over the useful life, not exceeding 10 years, once the product to which the expenditure relate is commercialized.

Assets under Construction reflect development costs for the products which are not launched at the year end and therefore these assets have not been amortised.

Software fees

Software fees is amortised over a period of 5 years.

2. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company. An analysis of turnover by class of business is given below:

	2018	2017
	£	£
Sales	54,296,475	51,551,517
Fees	<u>68,690</u>	<u>14,158</u>
	<u>54,365,165</u>	<u>51,565,675</u>
An analysis of turnover by geographical market is given below		
UK	31,714,018	31,772,218
Europe	<u>22,651,147</u>	<u>19,793,457</u>
	<u>54,365,165</u>	<u>51,565,675</u>

All the company's activities are from continued operation during the current year and previous year.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

3. **OTHER OPERATING INCOME**

	2018	2017
	£	£
Misc. Receipts	33,259	43,940
Interest Income	45,317	-
	<u>78,576</u>	<u>43,940</u>

4. **EMPLOYEES AND DIRECTORS**

	2018	2017
	£	£
Wages and salaries	8,050,247	6,358,876
Social security costs	954,885	635,088
Other pension costs	<u>366,485</u>	<u>297,478</u>
	<u>9,371,617</u>	<u>7,291,442</u>

The average monthly number of employees during the year was as follows:

	2018	2017
	£	£
Management and administrative sales	69	67
	<u>14</u>	<u>1</u>
	<u>83</u>	<u>68</u>

5. **OPERATING PROFIT**

The profit/loss before tax is stated after charging:

	2018	2017
	£	£
Other operating leases	161,400	127,361
Depreciation-owned assets	115,629	158,370
Development costs amortisation	882,868	1,078,006
Auditors remuneration	18,665	16,805
Foreign exchange differences (Gain)	<u>(39,542)</u>	<u>(87,290)</u>

	31.3.18	31.3.17
	£	£
Directors' remuneration	904,964	698,850
Directors' pension contribution to money purchase schemes	<u>24,525</u>	<u>13,181</u>
	<u>929,489</u>	<u>712,031</u>

The number of directors to whom the retirement benefits were accruing:

Money purchase schemes	2	2
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Information regarding the highest paid director is as follows:

	2018	2017
	£	£
Emoluments etc.	644,852	495,581
Pension contribution to money purchase schemes	<u>14,504</u>	<u>3,644</u>
	<u>659,356</u>	<u>499,225</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

6. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2018	2017
	£	£
Finance cost	<u>496,298</u>	<u>119,733</u>

7. **TAXATION**

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2018	2017
	£	£
Current tax:		
UK corporation tax	402,057	286,744
Excess provision of prior years	-	-
Total current tax	<u>402,057</u>	<u>286,744</u>
Deferred taxations		
Tax on profit	<u>402,057</u>	<u>286,744</u>

Factors affecting the tax charges

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2018	2017
	£	£
Profit before tax	<u>2,022,972</u>	<u>1,457,709</u>
Profit on ordinary activities		
Multiplied by the standard rate of corporate tax in UK of 19% (2017-20%)	384,364	291,542
Effects of:		
Capital allowances in excess of		
Depreciation	(17,052)	13,604
Group relief for previous years	48,151	-
Group Relief	<u>(13,406)</u>	<u>(18,402)</u>
Current tax charge	<u>402,057</u>	<u>286,744</u>

8. **INTANGIBLE FIXED ASSETS**

	Development costs £
COST	
At 1 April 2017	10,613,679
Additions	<u>2,421,107</u>
At 31 March 2018	<u>13,034,786</u>
AMORTISATION	
At 1 April 2017	5,821,857
Amortisation for year	<u>882,868</u>
At 31 March 2018	<u>6,704,725</u>
NET BOOK VALUE	
At 31 March 2018	<u>6,330,061</u>
At 31 March 2017	<u>4,791,822</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

9. TANGIBLE FIXED ASSETS

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 April 2017	329,939	51,108	483,927	298,030	1,163,004
Additions	-	-	50,069	119,931	170,000
Disposals	<u>(329,939)</u>	<u>(3,392)</u>	<u>(630)</u>	<u>-</u>	<u>(333,961)</u>
At 31 March 2018	<u>-</u>	<u>47,716</u>	<u>533,366</u>	<u>417,961</u>	<u>999,043</u>
DEPRECIATION					
At 1 April 2017	81,772	23,312	435,288	168,798	709,170
Charge for year	-	12,777	30,211	72,642	115,630
Eliminated on disposal	<u>(81,772)</u>	<u>(2,335)</u>	<u>(630)</u>	<u>-</u>	<u>(84,737)</u>
At 31 March 2018	<u>-</u>	<u>33,754</u>	<u>464,869</u>	<u>241,440</u>	<u>740,063</u>
NET BOOK VALUE					
At 31 March 2018	<u>-</u>	<u>13,962</u>	<u>68,497</u>	<u>176,521</u>	<u>258,980</u>
At 31 March 2017	<u>248,167</u>	<u>27,796</u>	<u>48,639</u>	<u>129,232</u>	<u>453,834</u>

10. INVESTMENT

	Total £
Investments in shares of Glenmark Generics SA, Argentina (100% owned subsidiary).	
FAIR VALUE	
At 1 April 2017 and 31 March 2018	<u>555,415</u>
NET BOOK VALUE	
At 31 March 2018	<u>555,415</u>
At 31 March 2017	<u>555,415</u>

11. STOCKS

	2018 £	2017 £
Finished goods	<u>8,774,083</u>	<u>9,225,752</u>

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Trade debtors	4,178,208	711,061
Amounts owed by group undertakings	6,948,260	17,217,898
Other debtors	94,604	142,028
Prepayments	<u>155,514</u>	<u>174,019</u>
	<u>11,376,586</u>	<u>18,245,006</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Trade creditors	114,602	2,453,523
Amounts owed to group undertakings	30,635,591	25,151,094
Tax, VAT and Social Security	1,775,072	1,897,224
-Other creditors	629,046	1,320,544
Accrued expenses	4,610,849	3,599,011
	<u>37,765,160</u>	<u>34,421,396</u>

14. LEASING AGREEMENTS

The following operating lease payments are committed to be paid:

	Land and Buildings		Other operating leases	
	2018	2017	2018	2017
	£	£	£	£
Expiring:				
within one year	—	—	58,261	—
between one and five years	2,347,234	—	33,793	47,470
in more than five years	<u>3,220,623</u>	<u>138,780</u>	—	<u>50,931</u>
	<u>5,567,857</u>	<u>138,780</u>	<u>92,055</u>	<u>98,401</u>

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2018	2017
Number:	Class:		£	£
6,285,121	Ordinary Shares	£ 1	<u>6,285,121</u>	<u>6,285,121</u>

16. RESERVES

	Retained earnings £
At 1 April 2017	5,026,631
Profit for the year	<u>1,620,915</u>
At 31 March 2018	<u>6,647,546</u>

17. ULTIMATE PARENT COMPANY

Glenmark Pharmaceuticals Limited (incorporated in India) is regarded by the directors as being the company's ultimate parent company.

The company is a subsidiary of Glenmark Pharmaceuticals Limited, a company incorporated in India, listed on Bombay Stock Exchange and National Stock Exchange of India.

18. ULTIMATE CONTROLLING PARTY

The ultimate parent company is quoted on the Bombay Stock Exchange and National Stock Exchange and there is no ultimate controlling party.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

19. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2018	2017
	£	£
Profit for the financial year	1,620,915	1,170,965
Net addition to shareholders' funds	1,620,915	1,170,965
Opening shareholders' fund	<u>11,311,752</u>	<u>10,140,787</u>
Closing shareholders' fund	12,932,667	11,311,752

20. **PREVIOUS YEAR FIGURES**

The previous years' figures have been regrouped/ reclassified, whenever necessary, to confirm to the current year presentation.

Glenmark Pharmaceuticals Europe Limited (Registered number: 05040260)

Trading and Profit and Loss Account
for the Year Ended 31 March 2018

	2018		2017	
	£	£	£	£
Sales		54,365,165		51,565,675
Cost of sales				
Opening stock	9,225,752		7,226,767	
Purchases	31,248,362		34,430,220	
Other direct costs	2,933,677		4,872,588	
	43,407,791		46,529,575	
Closing stock	(8,774,083)		(9,225,752)	
		34,633,708		37,303,823
GROSS PROFIT		19,731,457		14,261,852
Other income				
Misc. Receipts	33,259		43,940	
Interest Income	45,317		-	
		78,576		43,940
		19,810,033		14,305,792
Expenditure				
Salaries	7,145,283		5,660,026	
Rent	161,400		127,361	
Insurance	45,158		44,980	
Light and heat	27,085		8,369	
Rates	80,407		73,031	
Amortisation of intangible fixed assets	882,868		1,078,006	
Depreciation of tangible fixed assets	115,629		158,730	
Directors' salaries	904,964		698,850	
Directors' pensions contri	24,525		13,181	
Social security	954,885		635,088	
Pensions	341,960		284,297	
Telephone	142,333		78,583	
Post and stationery	23,992		17,635	
Travelling	818,781		684,506	
Repairs and maintenance	86,013		81,322	
Regulatory costs	1,223,788		950,732	
Recruitment expenses	265,671		304,158	
Courier services	16,110		10,934s	
Sundry expenses	6,633		77,140	
Loss/ (Gain) on sale on FA	49,223		(170,995)	
Bank Charges	7,133		10,334	
Car lease	107,503		126,697	
Subscriptions	123,473		82,775	
Sales promotion	2,319,084		768,136	
Consultancy fees	873,407		430,987	
Other Legal and professional	564,331		563,972	
Auditors' remuneration	18,665		16,805	
Exchange (gains)	(39,542)		(87,290)	
Carried forward	17,290,763	19,810,033	12,728,350	14,305,792

Glenmark Pharmaceuticals Europe Limited (Registered number: 05040260)

Trading and Profit and Loss Account
for the Year Ended 31 March 2018

	2018		2017	
	£	£	£	£
Brought forward	17,290,763	19,810,033	12,728,350	14,305,792
	<u>17,290,763</u>		<u>12,728,350</u>	
Finance costs		2,519,270		1,577,442
Finance cost		<u>496,298</u>		<u>119,733</u>
NET PROFIT		<u><u>2,022,972</u></u>		<u><u>1,457,709</u></u>