

Bell, Sons & Co. (Druggists) Limited

Annual Report and Financial Statements

For the year ended 31 March 2017

Bell, Sons & Co. (Druggists) Limited

Company Information

| | | |
|------------------|---|---|
| Directors | Mr M Saldanha Mr S Jayanna Mr J Sharma Mrs S Saldanha Mr R Williams | (Appointed 8 October 2016) (Appointed 31 March 2017) (Appointed 31 March 2017) (Appointed 31 March 2017) |
|------------------|---|---|

| | |
|------------------|-------------|
| Secretary | Mrs G Jacks |
|------------------|-------------|

| | |
|-----------------------|----------|
| Company number | 00351951 |
|-----------------------|----------|

| | |
|--------------------------|---|
| Registered office | Gifford House Slaidburn Crescent Southport Merseyside PR9 9AL |
|--------------------------|---|

| | |
|-----------------|---|
| Auditors | Kingston Smith LLP Surrey House 36-44 High Street Redhill Surrey RH1 1RH |
|-----------------|---|

Bell, Sons & Co. (Druggists) Limited

Strategic Report

For the year ended 31 March 2017

The directors present the strategic report and financial statements for the year ended 31 March 2017.

Fair review of the business

The directors consider the results for the period to be satisfactory. During the period like for like sales decreased from £18,516,229 to £15,984,125 and the profit on ordinary activities before taxation was £54,750 (2016: £480,150). The directors expect turnover and the profit on ordinary activities to increase in the forthcoming year.

Bell's manufactures licensed products - both as own branded products and, for certain customers, in own label form together with a range of unlicensed products. The company owns a state-of-the-art manufacturing facility in Southport and is an established manufacturer of over 200 OTC pharmaceuticals having full approval of the UK MHRA.

Bell's holds 38 product licenses, which contribute towards 40% of its annual turnover. The product portfolio comprises segments like cough and cold remedies, vitamins, palliative and healthcare items, oils, antiseptics and disinfectants.

Bell's customers include retailers, pharmacies, chemist wholesalers and cash and carry outlets. The company enjoys a significant stronghold in the export markets. With more than 80 years of experience and a reach across 50+ countries, the brand is recognized and respected globally. Its key markets are West Africa and Middle East.

Principal risks and uncertainties arise from a competitive market.

Increasing raw material costs continue to threaten margins. The company manages this risk by establishing strong relationships with suppliers, to enable negotiation and controlled management of potential future price increases and secure reliable supply. In addition production methods are constantly being reviewed to ensure the most efficient operations are in place.

The company will continue to develop its product range to meet market needs.

The profit for the year, after taxation, amounted to £54,750 (2016: £419,167).

On behalf of the board


.....
Mr M Saldanha
Director
.....

Bell, Sons & Co. (Druggists) Limited

Directors' Report

For the year ended 31 March 2017

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

Principal activities

The principal activity of the company continued to be that of the manufacture and sale of pharmaceuticals.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

| | |
|----------------|----------------------------|
| Mr M Saldanha | |
| Mr D Barlow | (Resigned 31 May 2016) |
| Mr B Gulliver | (Resigned 8 October 2016) |
| Mr S Jayanna | (Appointed 8 October 2016) |
| Mr J Sharma | (Appointed 31 March 2017) |
| Mrs S Saldanha | (Appointed 31 March 2017) |
| Mr R Williams | (Appointed 31 March 2017) |

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditors

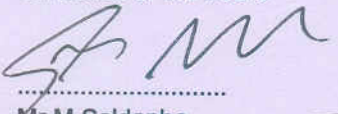
In accordance with the company's articles, a resolution proposing that Kingston Smith LLP be reappointed as auditors of the company will be put at a General Meeting.

Statement of disclosure to auditors

Each of the directors in office at the date of approval of this annual report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board


.....
Mr M Saldanha
Director
.....

Bell, Sons & Co. (Druggists) Limited

Directors' Responsibilities Statement

For the year ended 31 March 2017

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Bell, Sons & Co. (Druggists) Limited

Independent Auditors' Report

To the Members of Bell, Sons & Co. (Druggists) Limited

We have audited the financial statements of Bell, Sons & Co. (Druggists) Limited for the year ended 31 March 2017 which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. 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 Financial Reporting Standard 102.

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 auditors' 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, 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 Annual 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Bell, Sons & Co. (Druggists) Limited

Independent Auditors' Report (Continued)

To the Members of Bell, Sons & Co. (Druggists) Limited

Matters on which we are required to report by exception

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.

Parveen Chadda (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

.....

Chartered Accountants
Statutory Auditor

Surrey House
36-44 High Street
Redhill
Surrey
RH1 1RH

Bell, Sons & Co. (Druggists) Limited

Statement of Total Comprehensive Income For the year ended 31 March 2017

| | Notes | 2017 £ | 2016 £ |
|--|-------|------------------|------------------|
| Turnover | 2 | 15,984,125 | 18,516,229 |
| Cost of sales | | (13,498,286) | (15,396,938) |
| Gross profit | | 2,485,839 | 3,119,291 |
| Distribution costs | | (952,729) | (1,203,632) |
| Administrative expenses | | (1,316,171) | (1,273,070) |
| Operating profit | 3 | 216,939 | 642,589 |
| Interest receivable and similar income | 6 | 800 | 486 |
| Interest payable and similar charges | 7 | (162,989) | (162,925) |
| Profit before taxation | | 54,750 | 480,150 |
| Tax on profit | 8 | - | (60,983) |
| Profit for the financial year | | 54,750 | 419,167 |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Bell, Sons & Co. (Druggists) Limited

Balance Sheet

As at 31 March 2017

| | Notes | 2017 £ | £ | 2016 £ | £ |
|---|-------|------------------|------------------|------------------|---|
| Fixed assets | | | | | |
| Intangible assets | 9 | 23,613 | | 29,505 | |
| Tangible fixed assets | 10 | 3,102,598 | | 3,205,599 | |
| | | <u>3,126,211</u> | | <u>3,235,104</u> | |
| Current assets | | | | | |
| Stocks | 12 | 3,669,598 | 3,855,807 | | |
| Debtors | 13 | 4,359,787 | 4,516,475 | | |
| Cash at bank and in hand | | 1,002,953 | 751,458 | | |
| | | <u>9,032,338</u> | <u>9,123,740</u> | | |
| Creditors: amounts falling due within one year | 14 | (7,126,143) | (7,381,188) | | |
| Net current assets | | <u>1,906,195</u> | | <u>1,742,552</u> | |
| Total assets less current liabilities | | <u>5,032,406</u> | | <u>4,977,656</u> | |
| Provisions for liabilities | 16 | (102,488) | | (102,488) | |
| Net assets | | <u>4,929,918</u> | | <u>4,875,168</u> | |
| Capital and reserves | | | | | |
| Called up share capital | 19 | 6,334 | 6,334 | | |
| Revaluation reserve | | 1,037,692 | 1,040,065 | | |
| Profit and loss reserves | | 3,885,892 | 3,828,769 | | |
| Total equity | | <u>4,929,918</u> | | <u>4,875,168</u> | |

The financial statements were approved by the board of directors and authorised for issue on

Signed on its behalf by:

.....
Mr M Saldanha
Director

Company Registration No. 00351951

Bell, Sons & Co. (Druggists) Limited

Statement of Changes in Equity

For the year ended 31 March 2017

| | Share capital | Revaluation reserve | Profit and loss reserves | Total |
|--|---------------|---------------------|--------------------------|-----------|
| | £ | £ | £ | £ |
| Balance at 1 April 2015 | 6,334 | 1,042,438 | 3,407,229 | 4,456,001 |
| Period ended 31 March 2016: | | | | |
| Profit and total comprehensive income for the year | - | - | 419,167 | 419,167 |
| Transfers | - | (2,373) | 2,373 | - |
| Balance at 31 March 2016 | 6,334 | 1,040,065 | 3,828,769 | 4,875,168 |
| Period ended 31 March 2017: | | | | |
| Profit and total comprehensive income for the year | - | - | 54,750 | 54,750 |
| Transfers | - | (2,373) | 2,373 | - |
| Balance at 31 March 2017 | 6,334 | 1,037,692 | 3,885,892 | 4,929,918 |

Bell, Sons & Co. (Druggists) Limited

Statement of Cash Flows

For the year ended 31 March 2017

| | Notes | 2017 £ | £ | 2016 £ | £ |
|---|-------|--------------------|---|--------------------|---|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 23 | 850,202 | | 729,306 | |
| Interest paid | | (162,989) | | (162,925) | |
| Income taxes paid | | (61,430) | | (278,170) | |
| Net cash inflow from operating activities | | 625,783 | | 288,211 | |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (125,938) | | (338,384) | |
| Interest received | | 800 | | 486 | |
| Net cash used in investing activities | | (125,138) | | (337,898) | |
| Net cash used in financing activities | | - | | - | |
| Net increase/(decrease) in cash and cash equivalents | | 500,645 | | (49,687) | |
| Cash and cash equivalents at beginning of year | | (2,604,694) | | (2,555,007) | |
| Cash and cash equivalents at end of year | | (2,108,227) | | (2,604,694) | |
| Relating to: | | | | | |
| Bank balances and short term deposits | | 1,002,953 | | 751,458 | |
| Bank overdrafts | | (3,111,180) | | (3,356,152) | |

Bell, Sons & Co. (Druggists) Limited

Notes to the Financial Statements

For the year ended 31 March 2017

1 Accounting policies

Company information

Bell, Sons & Co. (Druggists) Limited is a company limited by shares incorporated in England and Wales. The registered office is Gifford House, Slaidburn Crescent, Southport, Merseyside, PR9 9AL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods supplied during the year, exclusive of Value Added Tax and trade discounts based on the date the goods are despatched.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|---------|-------------------|
| Patents | 10% straight line |
|---------|-------------------|

Bell, Sons & Co. (Druggists) Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

1 Accounting policies

(Continued)

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

| | |
|---------------------|----------------------|
| Freehold buildings | 2% cost or valuation |
| Plant and machinery | 20% reducing balance |

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

1.6 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Bell, Sons & Co. (Druggists) Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

1 Accounting policies

(Continued)

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Bell, Sons & Co. (Druggists) Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

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 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Bell, Sons & Co. (Druggists) Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

1 Accounting policies

(Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Turnover

An analysis of the company's turnover is as follows:

| | 2017 £ | 2016 £ |
|----------------------------------|-------------------|-------------------|
| Turnover | | |
| Sale of goods | 15,984,125 | 18,516,229 |
| | <u> </u> | <u> </u> |
| | 2017 £ | 2016 £ |
| Other significant revenue | | |
| Interest income | 800 | 486 |
| | <u> </u> | <u> </u> |

The analysis of turnover by geographical markets has been omitted as the directors consider that this would be prejudicial to the interests of the company's trade.

Bell, Sons & Co. (Druggists) Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

| 3 Operating profit | 2017 £ | 2016 £ |
|---|-------------------|-------------------|
| Operating profit for the year is stated after charging/(crediting): | | |
| Exchange losses/(gains) | 14,149 | (21,180) |
| Fees payable to the company's auditors for the audit of the company's annual accounts | 10,000 | 9,750 |
| Depreciation of owned tangible fixed assets | 228,939 | 185,664 |
| Amortisation of intangible assets | 5,892 | 5,892 |
| Cost of stocks recognised as an expense | 8,913,570 | 10,329,176 |
| Operating lease charges | 106,925 | 109,404 |
| | <u> </u> | <u> </u> |

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| | 2017 Number | 2016 Number |
|--------------------------|------------------------|------------------------|
| Production | 141 | 160 |
| Sales and administration | 18 | 16 |
| | <u> </u> | <u> </u> |
| | 159 | 176 |
| | <u> </u> | <u> </u> |

Their aggregate remuneration comprised:

| | 2017 £ | 2016 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 3,382,710 | 3,751,135 |
| Social security costs | 296,469 | 330,509 |
| Pension costs | 118,673 | 119,143 |
| | <u> </u> | <u> </u> |
| | 3,797,852 | 4,200,787 |
| | <u> </u> | <u> </u> |

Bell, Sons & Co. (Druggists) Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

5 Directors' remuneration

| | 2017 £ | 2016 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 93,281 | 181,739 |
| Company pension contributions to defined contribution schemes | 6,959 | 15,487 |
| | <u>100,240</u> | <u>197,226</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2016 - 2).

6 Interest receivable and similar income

| | 2017 £ | 2016 £ |
|-----------------------|------------|------------|
| Interest income | | |
| Other interest income | 800 | 486 |
| | <u>800</u> | <u>486</u> |

7 Interest payable and similar charges

| | 2017 £ | 2016 £ |
|--|----------------|----------------|
| Interest on financial liabilities measured at amortised cost: | | |
| Interest on bank overdrafts and loans | 161,818 | 162,925 |
| Interest on finance leases and hire purchase contracts | 1,171 | - |
| | <u>162,989</u> | <u>162,925</u> |

8 Taxation

| | 2017 £ | 2016 £ |
|--|-----------|---------------|
| Current tax | | |
| UK corporation tax on profits for the current period | - | 60,983 |
| Total current tax | <u>-</u> | <u>60,983</u> |
| Total tax charge | <u>-</u> | <u>60,983</u> |

Bell, Sons & Co. (Druggists) Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

| 8 | Taxation | (Continued) | |
|---|--|-------------|----------|
| | | 2017 | 2016 |
| | | | |
| | The charge for the year can be reconciled to the profit per the profit and loss account as follows: | | |
| | | 2017 | 2016 |
| | | £ | £ |
| | Profit before taxation on continued operations | 54,750 | 480,150 |
| | Profit on ordinary activities before taxation multiplied by standard rate of corporation tax of 20% (2016 - 20%) | 10,950 | 96,030 |
| | Group relief | (20,305) | - |
| | Capital allowances in excess of depreciation | 9,452 | (34,961) |
| | Other tax adjustment | (97) | (86) |
| | | (10,950) | (35,047) |
| | Tax expense for the year | - | 60,983 |
| | | | |
| 9 | Intangible fixed assets | | |
| | | | Patents |
| | | | £ |
| | Cost | | |
| | At 1 April 2016 and 31 March 2017 | | 58,950 |
| | Amortisation and impairment | | |
| | At 1 April 2016 | | 29,445 |
| | Amortisation charged for the year | | 5,892 |
| | At 31 March 2017 | | 35,337 |
| | Carrying amount | | |
| | At 31 March 2017 | | 23,613 |
| | At 31 March 2016 | | 29,505 |

Bell, Sons & Co. (Druggists) Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

10 Tangible fixed assets

| | Freehold buildings £ | Plant and machinery £ | Motor vehicles £ | Total £ |
|------------------------------------|----------------------------|-----------------------------|------------------------|------------|
| Cost or valuation | | | | |
| At 1 April 2016 | 2,371,743 | 4,265,866 | 9,000 | 6,646,609 |
| Additions | - | 125,938 | - | 125,938 |
| Disposals | - | - | (9,000) | (9,000) |
| At 31 March 2017 | 2,371,743 | 4,391,804 | - | 6,763,547 |
| Depreciation and impairment | | | | |
| At 1 April 2016 | 121,296 | 3,310,714 | 9,000 | 3,441,010 |
| Depreciation charged in the year | 50,195 | 178,744 | - | 228,939 |
| Eliminated in respect of disposals | - | - | (9,000) | (9,000) |
| At 31 March 2017 | 171,491 | 3,489,458 | - | 3,660,949 |
| Carrying amount | | | | |
| At 31 March 2017 | 2,200,252 | 902,346 | - | 3,102,598 |
| At 31 March 2016 | 2,250,447 | 955,152 | - | 3,205,599 |

Comparable historical cost for the land and buildings included at valuation:

| | 2017 £ | 2016 £ |
|--------------------------|-----------|-----------|
| Cost | 1,796,527 | 1,796,527 |
| Accumulated depreciation | 755,360 | 719,429 |
| Carrying value | 1,041,167 | 1,077,098 |

Freehold land with a valuation of £550,000 (2016: £550,000) and a cost of £268,500 (2016: £268,500) has not been depreciated.

The property was externally valued on 31 March 2013 at £2,300,000 by Eddisons Chartered Surveyors on an open market basis. The directors are not aware of any material change in value subsequently.

11 Financial instruments

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Carrying amount of financial assets | | |
| Debt instruments measured at amortised cost | 4,282,373 | 4,432,755 |
| Carrying amount of financial liabilities | | |
| Measured at amortised cost | 6,922,501 | 6,901,645 |

Bell, Sons & Co. (Druggists) Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

12 Stocks

| | 2017 £ | 2016 £ |
|-------------------------------------|------------------|------------------|
| Raw materials and consumables | 1,161,568 | 960,578 |
| Finished goods and goods for resale | 2,508,030 | 2,895,229 |
| | <u>3,669,598</u> | <u>3,855,807</u> |

13 Debtors

| | 2017 £ | 2016 £ |
|---|------------------|------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 2,756,199 | 2,889,589 |
| Amounts due from fellow group undertakings | 1,516,120 | 1,543,166 |
| Other debtors | 10,054 | - |
| Prepayments and accrued income | 77,414 | 83,720 |
| | <u>4,359,787</u> | <u>4,516,475</u> |

Trade debtors disclosed above are measured at amortised cost.

14 Creditors: amounts falling due within one year

| | Notes | 2017 £ | 2016 £ |
|--|-------|------------------|------------------|
| Loans and overdrafts | 15 | 3,111,180 | 3,356,152 |
| Trade creditors | | 2,033,325 | 1,549,928 |
| Amounts due to fellow group undertakings | | 1,296,582 | 1,631,206 |
| Corporation tax | | - | 61,430 |
| Other taxation and social security | | 203,642 | 418,113 |
| Other creditors | | 68,478 | 15,976 |
| Accruals and deferred income | | 412,936 | 348,383 |
| | | <u>7,126,143</u> | <u>7,381,188</u> |

15 Loans and overdrafts

| | 2017 £ | 2016 £ |
|-------------------------|------------------|------------------|
| Bank overdrafts | 3,111,180 | 3,356,152 |
| | <u>3,111,180</u> | <u>3,356,152</u> |
| Payable within one year | 3,111,180 | 3,356,152 |
| | <u>3,111,180</u> | <u>3,356,152</u> |

Bell, Sons & Co. (Druggists) Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

15 Loans and overdrafts

(Continued)

The company's overdraft facility is secured on an all asset debenture charge creating a first charge over all freehold property and other assets within the company together with a corporate guarantee from the ultimate parent company, Marksans Pharma Limited, for the whole credit facility.

16 Provisions for liabilities

| | | 2017 £ | 2016 £ |
|--------------------------|----|----------------|----------------|
| Deferred tax liabilities | 17 | 102,488 | 102,488 |
| | | <u>102,488</u> | <u>102,488</u> |

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

| | Liabilities 2017 £ | Liabilities 2016 £ |
|--------------------------------|--------------------------|--------------------------|
| Balances: | | |
| Accelerated capital allowances | 102,488 | 102,488 |
| | <u>102,488</u> | <u>102,488</u> |

There were no deferred tax movements in the year.

18 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £118,673 (2016 - £119,143)

19 Share capital

| | 2017 £ | 2016 £ |
|----------------------------------|--------------|--------------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 6,334 Ordinary shares of £1 each | 6,334 | 6,334 |
| | <u>6,334</u> | <u>6,334</u> |

Bell, Sons & Co. (Druggists) Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

20 Operating lease commitments

Lessee

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

| | 2017 £ | 2016 £ |
|----------------------------|----------------|----------------|
| Within one year | 91,402 | 56,905 |
| Between two and five years | 178,951 | 63,850 |
| | <u>270,353</u> | <u>120,755</u> |

21 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

| | 2017 £ | 2016 £ |
|------------------------|----------------|----------------|
| Aggregate compensation | <u>172,440</u> | <u>197,226</u> |

The company has taken the exemption from disclosing related party transactions with companies under the same control in accordance with FRS 102- Section 33 "Related Party Disclosures".

22 Controlling party

The immediate parent undertaking is Marksans Holdings Limited, a company incorporated in England and Wales. The company is controlled by Marksans Pharma U.K. Limited by virtue of its 100% ownership of Marksans Holdings Limited.

The parent undertaking of the smallest group for which consolidated accounts are prepared is Marksans Pharma U.K. Limited. Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ. The parent undertaking of the largest group for which consolidated accounts are prepared is Marksans Pharma Limited, a company incorporated in India. Consolidated accounts are available from The Registrar of Companies, Everest 100, Marine Drive, Mumbai - 400 002, Maharashtra.

In the opinion of the directors, Marksans Pharma Limited is the company's ultimate parent company and ultimate controlling party.

Bell, Sons & Co. (Druggists) Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

| 23 Cash generated from operations | 2017 £ | 2016 £ |
|--|----------------|----------------|
| Profit for the year | 54,750 | 419,167 |
| Adjustments for: | | |
| Income tax expense recognised in profit or loss | - | 60,983 |
| Finance costs recognised in profit or loss | 162,989 | 162,925 |
| Investment income recognised in profit or loss | (800) | (486) |
| Amortisation and impairment of intangible assets | 5,892 | 5,892 |
| Depreciation and impairment of tangible fixed assets | 228,939 | 185,664 |
| Movements in working capital: | | |
| Decrease/(increase) in stocks | 186,209 | (504,895) |
| Decrease/(increase) in debtors | 156,688 | (159,435) |
| Increase in creditors | 51,357 | 559,491 |
| Cash generated from operations | 846,024 | 729,306 |

Bell, Sons & Co. (Druggists) Limited

Management Information

For the year ended 31 March 2017

Bell, Sons & Co. (Druggists) Limited

Detailed Trading and Profit and Loss Account

For the year ended 31 March 2017

| | 2017 | | 2016 | |
|---|-----------|----------------------|------------|-----------------------|
| | £ | £ | £ | £ |
| Turnover | | | | |
| Sales of goods | | 16,052,002 | | 18,583,441 |
| Other income receivable as turnover income | | (67,877) | | (67,212) |
| | | <u>15,984,125</u> | | <u>18,516,229</u> |
| Cost of sales | | | | |
| Purchases - raw materials | 8,913,570 | | 10,329,176 | |
| Wages and salaries | 2,742,220 | | 3,095,081 | |
| Social security costs | 229,947 | | 262,699 | |
| Direct manufacturing costs | 630,352 | | 723,165 | |
| Carriage inwards and import duty | 151,579 | | 207,908 | |
| Light, heat and power | 217,310 | | 193,356 | |
| Repairs and maintenance | 211,794 | | 263,207 | |
| Product development | 137,349 | | 31,355 | |
| Miscellaneous costs | 43,116 | | 106,682 | |
| Licenses | 5,892 | | 5,892 | |
| Depreciation of plant and equipment | 215,157 | | 178,417 | |
| | | <u>(13,498,286)</u> | | <u>(15,396,938)</u> |
| Gross profit | | <u>2,485,839</u> | | <u>3,119,291</u> |
| Distribution costs | 952,729 | | 1,203,632 | |
| Administrative expenses | 1,316,171 | | 1,273,070 | |
| | | <u>(2,268,900)</u> | | <u>(2,476,702)</u> |
| Operating profit | | <u>216,939</u> | | <u>642,589</u> |
| Investment revenues | | | | |
| Bank interest receivable | 800 | | 486 | |
| | | <u>800</u> | | <u>486</u> |
| Interest payable and similar charges | | | | |
| Bank overdraft interest payable | 161,818 | | 162,925 | |
| Bank loan interest payable | 1,171 | | - | |
| | | <u>(162,989)</u> | | <u>(162,925)</u> |
| Profit before taxation | | <u><u>54,750</u></u> | | <u><u>480,150</u></u> |

Bell, Sons & Co. (Druggists) Limited

Schedule of Administration Expenses

For the year ended 31 March 2017

| | 2017 £ | 2016 £ |
|--|------------------|------------------|
| Distribution costs | | |
| Wages and salaries | 278,751 | 271,524 |
| Social security costs | 31,935 | 31,130 |
| Vehicle leasing | 12,759 | 27,177 |
| Salesman expenses | 31,804 | 36,298 |
| Carriage outwards | 513,874 | 629,100 |
| Sales rebates | 61,791 | 154,710 |
| Advertising and promotions | 13,373 | 45,341 |
| Sundry expenses | 8,442 | 8,352 |
| | <u>952,729</u> | <u>1,203,632</u> |
| Administrative expenses | | |
| Wages and salaries | 284,414 | 212,453 |
| Social security costs | 34,587 | 36,680 |
| Staff recruitment costs | 62,450 | 40,241 |
| Staff training and welfare | 7,412 | 20,152 |
| Staff pension costs defined contribution | 111,714 | 103,656 |
| Redundancy costs | 75,748 | - |
| Directors' remuneration | 77,325 | 172,077 |
| Directors' pension costs | 6,959 | 15,487 |
| Rent | 65,238 | 61,411 |
| Rates | 67,716 | 67,184 |
| Repairs and maintenance | 65,617 | 66,441 |
| Premises insurance | 66,200 | 67,885 |
| Motor vehicle leasing (operational) | 28,928 | 20,816 |
| Motor running costs | 4,159 | 2,261 |
| Professional subscriptions | 3,298 | 5,575 |
| Legal and professional fees | 54,410 | 28,202 |
| Audit and accountancy fees | 21,055 | 15,545 |
| Charitable donations | - | 400 |
| Bank charges | 10,436 | 33,552 |
| Bad and doubtful debts | (307) | (1,271) |
| Discounts allowed | 17,620 | 26,847 |
| Life and medical insurance | 23,659 | 22,792 |
| Printing and stationery | 56,170 | 61,591 |
| Telephone and fax | 30,494 | 32,944 |
| Canteen | 20,911 | 34,372 |
| Employee expenses | 8,031 | 6,454 |
| Sundry expenses | 7,810 | 18,473 |
| Product registrations and trademarks | 76,188 | 114,782 |
| Depreciation | 13,780 | 7,248 |
| Loss/(profit) on foreign exchange | 14,149 | (21,180) |
| | <u>1,316,171</u> | <u>1,273,070</u> |

Marksans Holdings Limited

Annual Report and Financial Statements

For the year ended 31 March 2017

Marksans Holdings Limited

Company Information

| | | |
|------------------|---|--|
| Directors | Mr M Saldanha Mrs S Saldanha Mr J Sharma Mr S Jayanna Mr R Williams | (Appointed 31 March 2017) (Appointed 31 March 2017) (Appointed 31 March 2017) (Appointed 31 March 2017) |
|------------------|---|--|

| | |
|------------------|-------------|
| Secretary | Mrs G Jacks |
|------------------|-------------|

| | |
|-----------------------|----------|
| Company number | 05591744 |
|-----------------------|----------|

| | |
|--------------------------|--|
| Registered office | Cheshire House Gorsey Lane Widnes WA8 ORP |
|--------------------------|--|

| | |
|-----------------|---|
| Auditors | Kingston Smith LLP Surrey House 36-44 High Street Redhill Surrey RH1 1RH |
|-----------------|---|

Marksans Holdings Limited

Directors' Report

For the year ended 31 March 2017

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

Principal activities

The principal activity of the company continued to be that of a holding company. The company holds the entire share capital of Bell, Sons and Co. (Druggists) Limited, a company that manufactures pharmaceutical products.

The company has not traded during the year.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

| | |
|----------------|---------------------------|
| Mr M Saldanha | |
| Mrs S Saldanha | (Appointed 31 March 2017) |
| Mr J Sharma | (Appointed 31 March 2017) |
| Mr S Jayanna | (Appointed 31 March 2017) |
| Mr R Williams | (Appointed 31 March 2017) |

Results and dividends

The results for the year are set out on page 5.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

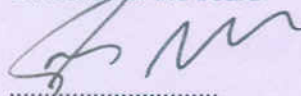
Auditors

Kingston Smith LLP were re-appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



.....
Mr M Saldanha
Director
.....

Marksans Holdings Limited

Directors' Responsibilities Statement

For the year ended 31 March 2017

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Marksans Holdings Limited

Independent Auditors' Report

To the Members of Marksans Holdings Limited

We have audited the financial statements of Marksans Holdings Limited for the year ended 31 March 2017 which comprise the Profit And Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes. 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 Financial Reporting Standard 102.

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 auditors' 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, 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 Annual 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Marksans Holdings Limited

Independent Auditors' Report (Continued)

To the Members of Marksans Holdings Limited

Matters on which we are required to report by exception

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.

Parveen Chadda (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

Chartered Accountants
Statutory Auditor

.....
Surrey House
36-44 High Street
Redhill
Surrey
RH1 1RH

Marksans Holdings Limited

Profit and Loss Account

For the year ended 31 March 2017

| | Notes | 2017 £ | 2016 £ |
|---|-------|-----------|-----------|
| Profit before taxation | | - | - |
| Taxation | | - | - |
| Profit for the financial year | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year | | <u>-</u> | <u>-</u> |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Marksans Holdings Limited

Balance Sheet

As at 31 March 2017

| | Notes | 2017 £ | 2016 £ |
|--|-------|------------------|------------------|
| Fixed assets | | | |
| Investments | 4 | 1,490,874 | 1,490,874 |
| Total assets less current liabilities | | <u>1,490,874</u> | <u>1,490,874</u> |
| Capital and reserves | | | |
| Called up share capital | 6 | 1,000 | 1,000 |
| Share premium account | | 1,489,874 | 1,489,874 |
| Total equity | | <u>1,490,874</u> | <u>1,490,874</u> |

The financial statements were approved by the board of directors and authorised for issue on
and are signed on its behalf by:



.....
Mr M Saldanha
Director

Company Registration No. 05591744

Marksans Holdings Limited

Statement of Changes in Equity

For the year ended 31 March 2017

| | Share capital £ | Share premium account £ | Total £ |
|--|-----------------------|----------------------------------|------------|
| Balance at 1 April 2015 | 1,000 | 1,489,874 | 1,490,874 |
| Period ended 31 March 2016: | | | |
| Loss and total comprehensive income for the year | - | - | - |
| Balance at 31 March 2016 | 1,000 | 1,489,874 | 1,490,874 |
| Period ended 31 March 2017: | | | |
| Loss and total comprehensive income for the year | - | - | - |
| Balance at 31 March 2017 | 1,000 | 1,489,874 | 1,490,874 |

Marksans Holdings Limited

Notes to the Financial Statements

For the year ended 31 March 2017

1 Accounting policies

Company information

Marksans Holdings Limited is a company limited by shares, domiciled and incorporated in England and Wales. The registered office is Cheshire House, Gorsey Lane, Widnes, WA8 ORP.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Marksans Holdings Limited is a wholly owned subsidiary of Marksans Pharma U.K. Limited and the results of Marksans Holdings Limited are included in the consolidated financial statements of Marksans Pharma U.K. Limited which are available from Companies House, Cardiff, CF14 3UZ.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Marksans Holdings Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

1 Accounting policies

(Continued)

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Marksans Holdings Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.6 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.

2 Operating profit

The auditor's remuneration for the year was borne by a fellow group undertaking.

Marksans Holdings Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was nil (2016: nil).

4 Fixed asset investments

| | Notes | 2017 £ | 2016 £ |
|-----------------------------|-------|-----------|-----------|
| Investments in subsidiaries | 5 | 1,490,874 | 1,490,874 |

The company has not designated any financial assets that are not classified as financial assets at fair value through profit or loss.

Movements in fixed asset investments

| | Investments in subsidiary companies £ |
|---------------------------------|--|
| Cost | |
| At 1 April 2015 & 31 March 2016 | 1,490,874 |
| Carrying amount | |
| At 31 March 2017 | 1,490,874 |
| At 31 March 2016 | 1,490,874 |

5 Subsidiaries

These financial statements are separate company financial statements for Marksans Holdings Limited

Details of the company's subsidiaries at 31 March 2017 are as follows:

| Name of undertaking and country of incorporation or residency | Nature of business | Class of shareholding | % Held Direct Indirect |
|--|--|--------------------------|---------------------------|
| Bell, Sons & Co. (Druggists) Limited | England and Wales Pharmaceutical | Ordinary | 100.00 |

Marksans Holdings Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

5 Subsidiaries

(Continued)

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

| Name of undertaking | Profit/(Loss) £ | Capital and Reserves £ |
|---|--------------------|------------------------------|
| Bell, Sons & Co. (Druggists) Limited | 54,750 | 4,929,918 |

6 Share capital

| | 2017 £ | 2016 £ |
|----------------------------------|-----------|-----------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 1,000 Ordinary shares of £1 each | 1,000 | 1,000 |

7 Controlling party

The immediate parent undertaking is Marksans Pharma U.K. Limited, a company registered in England and Wales.

In the opinion of the directors, Marksans Pharma Limited is the company's ultimate parent company and ultimate controlling party.

The parent undertaking of the smallest group for which consolidated accounts are prepared is Marksans Pharma U.K. Limited. Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ.

The parent undertaking of the largest group for which consolidated accounts are prepared is Marksans Pharma Limited, a company incorporated in India. Consolidated accounts are available from The Registrar of Companies, Everest 100, Marine Drive, Mumbai - 400 002, Maharashtra.

Relonchem Limited

Annual Report and Financial Statements

For the year ended 31 March 2017

Relonchem Limited

Company Information

| | | |
|------------------|---|---|
| Directors | Mr M Saldanha Mr J Sharma Mr S Jayanna Mrs S Saldanha Mr R Williams | (Appointed 31 March 2017) (Appointed 31 March 2017) (Appointed 31 March 2017) |
|------------------|---|---|

| | |
|------------------|-------------|
| Secretary | Mrs G Jacks |
|------------------|-------------|

| | |
|-----------------------|----------|
| Company number | 04773758 |
|-----------------------|----------|

| | |
|--------------------------|---|
| Registered office | 27 Old Gloucester Street London WC1 3XX |
|--------------------------|---|

| | |
|-----------------|---|
| Auditors | Kingston Smith LLP Surrey House 36-44 High Street Redhill Surrey RH1 1RH |
|-----------------|---|

Relonchem Limited

Strategic Report

For the year ended 31 March 2017

The directors present the strategic report and financial statements for the year ended 31 March 2017.

Fair review of the business

The directors consider the results for the period to be disappointing. During the period like for like sales decreased from £12,580,618 to £10,136,541 and the loss on ordinary activities before taxation was £781,692 (2016: £813,357 profit). The directors expect turnover and the profit on ordinary activities to increase in the forthcoming year.

The company develops, registers and distributes prescription generic pharmaceuticals in the UK.

Principal risks and uncertainties arise from a competitive market.

Increasing raw material costs continue to threaten margins. The company is able to manage this risk by utilising the low cost manufacturing capability of the parent company, which also secures reliable supplies.

The company will continue to develop its product range through new product development and acquisition of licences, to meet market needs.

The loss for the year, after taxation, amounted to £694,845 (2016: £611,296 profit).

On behalf of the board



.....
Mr M Saldanha

Director

25 May 2017

Relonchem Limited

Directors' Report

For the year ended 31 March 2017

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

Principal activities

The principal activity of the company continued to be that of development, registration and distribution of generic prescription pharmaceuticals in the UK.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M Saldanha

Mr J Sharma

Mr S Jayanna

Mrs S Saldanha

Mr R Williams

(Appointed 31 March 2017)

(Appointed 31 March 2017)

(Appointed 31 March 2017)

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditors

In accordance with the company's articles, a resolution proposing that Kingston Smith LLP be reappointed as auditors of the company will be put at a General Meeting.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board


.....
Mr M Saldanha

Director

..... 25 May 2017

Relonchem Limited

Directors' Responsibilities Statement

For the year ended 31 March 2017

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Relonchem Limited

Independent Auditors' Report

To the Members of Relonchem Limited

We have audited the financial statements of Relonchem Limited for the year ended 31 March 2017 which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. 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 Financial Reporting Standard 102.

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 auditors' 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, 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 Annual 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 loss 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Relonchem Limited

Independent Auditors' Report (Continued)

To the Members of Relonchem Limited

Matters on which we are required to report by exception

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.

P. Chadda

Parveen Chadda (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

25 May 2017

Chartered Accountants
Statutory Auditor

Surrey House
36-44 High Street
Redhill
Surrey
RH1 1RH

Relonchem Limited

Statement of Total Comprehensive Income For the year ended 31 March 2017

| | Notes | 2017 £ | 2016 £ |
|---|-------|-------------|--------------|
| Turnover | 3 | 10,136,541 | 12,580,618 |
| Cost of sales | | (9,326,174) | (10,512,712) |
| Gross profit | | 810,367 | 2,067,906 |
| Administrative expenses | | (1,587,465) | (1,288,848) |
| Other operating income | | 67,877 | 67,212 |
| Operating (loss)/profit | 4 | (709,221) | 846,270 |
| Interest payable and similar charges | 8 | (72,471) | (32,913) |
| (Loss)/profit before taxation | | (781,692) | 813,357 |
| Tax on (loss)/profit | 9 | 86,847 | (202,061) |
| (Loss)/profit for the financial year | | (694,845) | 611,296 |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Relonchem Limited


Balance Sheet

As at 31 March 2017

| | Notes | 2017 £ | £ | 2016 £ | £ |
|---|-------|--------------------|---|--------------------|---|
| Fixed assets | | | | | |
| Intangible assets | 10 | 2,717,928 | | 2,961,273 | |
| Tangible fixed assets | 11 | 6,793 | | 8,476 | |
| | | <u>2,724,721</u> | | <u>2,969,749</u> | |
| Current assets | | | | | |
| Stocks | 12 | 4,944,755 | | 4,372,866 | |
| Debtors | 14 | 7,483,594 | | 4,738,479 | |
| Cash at bank and in hand | | 475,359 | | 372,576 | |
| | | <u>12,903,708</u> | | <u>9,483,921</u> | |
| Creditors: amounts falling due within one year | 15 | <u>(8,527,819)</u> | | <u>(4,658,215)</u> | |
| Net current assets | | <u>4,375,889</u> | | <u>4,825,706</u> | |
| Total assets less current liabilities | | <u>7,100,610</u> | | <u>7,795,455</u> | |
| Capital and reserves | | | | | |
| Called up share capital | 18 | 2,300 | | 2,300 | |
| Share premium account | | 6,909,121 | | 6,909,121 | |
| Profit and loss reserves | | 189,189 | | 884,034 | |
| Total equity | | <u>7,100,610</u> | | <u>7,795,455</u> | |

The financial statements were approved by the board of directors and authorised for issue on 25 May 2017

Signed on its behalf by:



 Mr M Saldanha
 Director

Company Registration No. 04773758

Relonchem Limited

Statement of Changes in Equity

For the year ended 31 March 2017

| | Share capital £ | Share premium account £ | Profit and loss reserves £ | Total £ |
|--|-----------------------|----------------------------------|-------------------------------------|------------|
| Balance at 1 April 2015 | 2,300 | 6,909,121 | 272,738 | 7,184,159 |
| | | | | |
| Period ended 31 March 2016: | | | | |
| Profit and total comprehensive income for the year | - | - | 611,296 | 611,296 |
| | | | | |
| Balance at 31 March 2016 | 2,300 | 6,909,121 | 884,034 | 7,795,455 |
| | | | | |
| Period ended 31 March 2017: | | | | |
| Profit and total comprehensive income for the year | - | - | (694,845) | (694,845) |
| | | | | |
| Balance at 31 March 2017 | 2,300 | 6,909,121 | 189,189 | 7,100,610 |

Relonchem Limited

Statement of Cash Flows

For the year ended 31 March 2017

| | Notes | 2017 £ | £ | 2016 £ | £ |
|---|-------|-------------|---|-------------|---|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 21 | 378,011 | | 197,639 | |
| Interest paid | | (72,471) | | (32,913) | |
| Income taxes paid | | (202,061) | | (840,469) | |
| Net cash inflow/(outflow) from operating activities | | 103,479 | | (675,743) | |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (1,320) | | (1,290) | |
| Net cash used in investing activities | | (1,320) | | (1,290) | |
| Net cash used in financing activities | | - | | - | |
| Net increase/(decrease) in cash and cash equivalents | | 102,159 | | (677,033) | |
| Cash and cash equivalents at beginning of year | | (1,017,904) | | (340,871) | |
| Cash and cash equivalents at end of year | | (915,745) | | (1,017,904) | |
| Relating to: | | | | | |
| Bank balances and short term deposits | | 475,359 | | 372,576 | |
| Bank overdrafts | | (1,391,104) | | (1,390,480) | |

Relonchem Limited

Notes to the Financial Statements

For the year ended 31 March 2017

1 Accounting policies

Company information

Relonchem Limited is a company limited by shares incorporated in England and Wales. The registered office is 27 Old Gloucester Street, London, WC1 3XX.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods supplied during the year, exclusive of Value Added Tax and trade discounts based on the date they are despatched.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|------------------|------------------|
| Product Licenses | 5% straight line |
|------------------|------------------|

Relonchem Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

1 Accounting policies

(Continued)

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|--------------------------------|----------------------|
| Fixtures, fittings & equipment | 25% reducing balance |
|--------------------------------|----------------------|

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

1.6 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies

(Continued)

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Relonchem Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

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 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Relonchem Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

1 Accounting policies

(Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Amortisation of product licenses

The annual amortisation charge for intangible assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. These reviews require an estimation of how long each license is expected to be used based on expected sales of those licensed products. See note 10 for the carrying amount of the intangible assets and note 1.4 for the useful economic lives for each class of asset.

Relonchem Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

3 Turnover

An analysis of the company's turnover is as follows:

| | 2017 £ | 2016 £ |
|-----------------|------------|------------|
| Turnover | | |
| Sale of goods | 10,136,541 | 12,580,618 |

The analysis of turnover by geographical markets has been omitted as the directors consider that this would be prejudicial to the interests of the company's trade,

4 Operating (loss)/profit

Operating (loss)/profit for the year is stated after charging/(crediting):

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Loss / (gain) on exchange | 40 | (979) |
| Depreciation of owned tangible fixed assets | 3,003 | 2,739 |
| Amortisation of intangible assets | 243,345 | 243,345 |
| Cost of stocks recognised as an expense | 8,451,309 | 9,638,262 |

5 Auditors' remuneration

Fees payable to the company's auditor and its associates:

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| For audit services | | |
| Audit of the company's financial statements | 11,500 | 11,250 |

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| | 2017 Number | 2016 Number |
|--------------------------|----------------|----------------|
| Administration and sales | 8 | 7 |

Relonchem Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

| | | | |
|---|---|-----------------|----------------|
| 6 | Employees | (Continued) | |
| Their aggregate remuneration comprised: | | | |
| | | 2017 £ | 2016 £ |
| | Wages and salaries | 354,706 | 330,880 |
| | Social security costs | 38,257 | 39,610 |
| | Pension costs | 3,500 | - |
| | | <u>396,463</u> | <u>370,490</u> |
| 7 | Directors' remuneration | 2017 £ | 2016 £ |
| | Remuneration for qualifying services | <u>122,068</u> | <u>-</u> |
| 8 | Interest payable and similar charges | 2017 £ | 2016 £ |
| | Interest on financial liabilities measured at amortised cost: | | |
| | Interest on bank overdrafts and loans | <u>72,471</u> | <u>32,913</u> |
| 9 | Taxation | 2017 £ | 2016 £ |
| | Current tax | | |
| | UK corporation tax on profits for the current period | <u>(86,847)</u> | <u>202,061</u> |
| | Total tax charge | <u>(86,847)</u> | <u>202,061</u> |

Relonchem Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

| 9 | Taxation | (Continued) | |
|---|---|-------------|---------|
| | | 2017 | 2016 |
| | The charge for the year can be reconciled to the (loss)/profit per the profit and loss account as follows: | | |
| | | 2017 | 2016 |
| | | £ | £ |
| | (Loss)/profit before taxation on continued operations | (781,692) | 813,357 |
| | (Loss)/profit on ordinary activities before taxation multiplied by standard rate of corporation tax of 20% (2016 - 20%) | (156,338) | 162,671 |
| | Tax effect of expenses that are not deductible in determining taxable profit | 369 | 1,152 |
| | Unutilised tax losses carried forward | 12,202 | - |
| | Group relief | 18,605 | - |
| | Depreciation in excess of capital allowances | 201 | 124 |
| | Amortisation of intangible assets | 38,114 | 38,114 |
| | | 69,491 | 39,390 |
| | Tax expense for the year | (86,847) | 202,061 |

10 Intangible fixed assets

| | Product Licenses |
|------------------------------------|------------------|
| | £ |
| Cost | |
| At 1 April 2016 and 31 March 2017 | 4,866,892 |
| Amortisation and impairment | |
| At 1 April 2016 | 1,905,619 |
| Amortisation charged for the year | 243,345 |
| At 31 March 2017 | 2,148,964 |
| Carrying amount | |
| At 31 March 2017 | 2,717,928 |
| At 31 March 2016 | 2,961,273 |

Relonchem Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

11 Tangible fixed assets

| | Fixtures, fittings & equipment £ |
|------------------------------------|---|
| Cost | |
| At 1 April 2016 | 13,696 |
| Additions | 1,320 |
| | <u>15,016</u> |
| At 31 March 2017 | <u>15,016</u> |
| Depreciation and impairment | |
| At 1 April 2016 | 5,220 |
| Depreciation charged in the year | 3,003 |
| | <u>8,223</u> |
| At 31 March 2017 | <u>8,223</u> |
| Carrying amount | |
| At 31 March 2017 | <u>6,793</u> |
| At 31 March 2016 | <u>8,476</u> |

12 Stocks

| | 2017 £ | 2016 £ |
|-------------------------------------|-------------------|-------------------|
| Finished goods and goods for resale | 4,944,755 | 4,372,866 |
| | <u>4,944,755</u> | <u>4,372,866</u> |

13 Financial instruments

| | 2017 £ | 2016 £ |
|---|-------------------|-------------------|
| Carrying amount of financial assets | | |
| Debt instruments measured at amortised cost | 7,377,198 | 4,724,521 |
| | <u>7,377,198</u> | <u>4,724,521</u> |
| Carrying amount of financial liabilities | | |
| Measured at amortised cost | 8,510,148 | 4,448,841 |
| | <u>8,510,148</u> | <u>4,448,841</u> |

Relonchem Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

14 Debtors

| | 2017 £ | 2016 £ |
|---|------------------|------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 1,932,686 | 2,343,458 |
| Corporation tax recoverable | 86,847 | - |
| Amounts due from fellow group undertakings | 5,196,320 | 2,332,961 |
| Other debtors | 248,192 | 48,102 |
| Prepayments and accrued income | 19,549 | 13,958 |
| | <u>7,483,594</u> | <u>4,738,479</u> |

Trade debtors disclosed above are measured at amortised cost.

15 Creditors: amounts falling due within one year

| | Notes | 2017 £ | 2016 £ |
|--|-------|------------------|------------------|
| Loans and overdrafts | 16 | 1,391,104 | 1,390,480 |
| Trade creditors | | 636,475 | 845,298 |
| Amounts due to fellow group undertakings | | 6,437,791 | 2,086,159 |
| Corporation tax | | - | 202,061 |
| Other taxation and social security | | 17,671 | 7,313 |
| Accruals and deferred income | | 44,778 | 126,904 |
| | | <u>8,527,819</u> | <u>4,658,215</u> |

16 Loans and overdrafts

| | 2017 £ | 2016 £ |
|-------------------------|------------------|------------------|
| Bank overdrafts | <u>1,391,104</u> | <u>1,390,480</u> |
| Payable within one year | <u>1,391,104</u> | <u>1,390,480</u> |

The company's overdraft facility is secured on an all asset debenture charge creating a first charge over all freehold property and other assets within the company together with a corporate guarantee from the ultimate parent company, Marksans Pharma Limited, for the whole credit facility.

17 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £3,500 (2016 - £-).

Relonchem Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

18 Share capital

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Ordinary share capital issued and fully paid | | |
| 2,300 Ordinary shares of £1 each | 2,300 | 2,300 |

19 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, including those who are also directors, is as follows.

| | 2017 £ | 2016 £ |
|------------------------|-----------|-----------|
| Aggregate compensation | 120,868 | 100,000 |

The company has taken the exemption from disclosing related party transactions with companies under the same control in accordance with FRS 102- Section 33 "Related Party Disclosures".

At the year end, a balance of £40,000 (2016: £40,000) was due to Relonchem Limited from Mr S Jayanna, a director of the company.

20 Controlling party

The immediate parent undertaking is Marksans Pharma U.K. Limited. The parent undertaking of the smallest group for which consolidated accounts are prepared is Marksans Pharma U.K. Limited. Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ.

The parents undertaking of the largest group for which consolidated accounts are prepared is Marksans Pharma Limited, a company incorporated in India. Consolidated accounts are available from The Registrar of Companies, Everest 100, Marine Drive, Mumbai - 400 002, Maharashtra.

In the opinion of the directors, Marksans Pharma Limited is the company's ultimate parent company and ultimate controlling party.

Relonchem Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

21 Cash generated from operations

| | 2017 £ | 2016 £ |
|--|----------------|----------------|
| (Loss)/profit for the year | (694,845) | 611,296 |
| Adjustments for: | | |
| Income tax expense | (86,847) | 202,061 |
| Finance costs | 72,471 | 32,913 |
| (Loss)/profit | (709,221) | 846,270 |
| Amortisation and impairment of intangible assets | 243,345 | 243,345 |
| Depreciation and impairment of tangible fixed assets | 3,003 | 2,739 |
| Movements in working capital: | | |
| (Increase)/decrease in stocks | (571,889) | 23,411 |
| (Increase)/decrease in debtors | (2,658,268) | 397,598 |
| Increase/(decrease) in creditors | 4,071,041 | (1,315,724) |
| Cash generated from operations | 378,011 | 197,639 |

Relonchem Limited

Management Information

For the year ended 31 March 2017

Relonchem Limited

Detailed Trading and Profit and Loss Account

For the year ended 31 March 2017

| | 2017 | 2016 |
|---|-------------|--------------|
| | £ | £ |
| Turnover | | |
| Sales | 10,136,541 | 12,580,618 |
| Cost of sales | | |
| Purchases | 8,451,309 | 9,638,262 |
| Laboratory testing | 168,021 | 192,233 |
| Pharmaceutical licence fee | 142,400 | 145,760 |
| Carriage and packaging | 263,370 | 268,936 |
| Storage | 301,074 | 267,521 |
| | (9,326,174) | (10,512,712) |
| Gross profit | 810,367 | 2,067,906 |
| Other operating income | | |
| Sundry income | 67,877 | 67,212 |
| Administrative expenses | (1,587,465) | (1,288,848) |
| Operating (loss)/profit | (709,221) | 846,270 |
| Interest payable and similar charges | | |
| Bank interest on loans and overdrafts | (72,471) | (32,913) |
| (Loss)/profit before taxation | (781,692) | 813,357 |

Relonchem Limited

Schedule of Administration Expenses

For the year ended 31 March 2017

| | 2017 £ | 2016 £ |
|--|------------------|------------------|
| Administrative expenses | | |
| Wages and salaries | 243,826 | 330,880 |
| National Insurance | 38,257 | 39,610 |
| Recruitment expenses | 11,500 | 24,500 |
| Staff training | 58,869 | - |
| Staff pension costs defined contribution | 3,500 | - |
| Directors' remuneration | 110,880 | - |
| Rent | 24,178 | 18,178 |
| Repairs and maintenance | 7,150 | 852 |
| Insurance | 51,222 | 54,581 |
| Motor running expenses | 16,510 | 16,061 |
| Travelling expenses | 20,353 | 33,119 |
| Subscriptions | 4,117 | 3,077 |
| Legal and professional fees | 85,057 | 68,864 |
| Consultancy fees | 525,341 | 324,002 |
| Audit and accountancy fees | 20,090 | 21,495 |
| Bank charges | 9,067 | 7,764 |
| Bad debts | (1,270) | (4,193) |
| Printing, postage and stationery | 12,600 | 16,181 |
| Conference costs | 19,496 | 7,000 |
| Telecommunications | 11,774 | 8,378 |
| Entertaining | 1,794 | 5,755 |
| Sundry expenses | 37 | 589 |
| Amortisation | 243,345 | 243,345 |
| Depreciation | 3,003 | 2,739 |
| Loss / (profit) on foreign exchange | 40 | (979) |
| GMP inspection fees | 66,729 | 67,050 |
| | <u>1,587,465</u> | <u>1,288,848</u> |

Marksans Pharma U.K. Limited

Annual Report and Financial Statements

For the year ended 31 March 2017

Marksans Pharma U.K. Limited

Company Information

| | | |
|--------------------------|---|--|
| Directors | Mr M Saldanha Mrs S Saldanha Mr J Sharma Mr S Jayanna Mr R Williams | (Appointed 31 March 2017) (Appointed 31 March 2017) |
| Secretary | Mrs G Jacks | |
| Company number | 05467597 | |
| Registered office | Cheshire House Gorsey Lane Widnes WA8 ORP | |
| Auditors | Kingston Smith LLP Surrey House 36-44 High Street Redhill Surrey RH1 1RH | |

Marksans Pharma U.K. Limited

Strategic Report

For the year ended 31 March 2017

The directors present the strategic report and financial statements for the year ended 31 March 2017.

Fair review of the business

The company holds the entire ordinary share capital of Marksans Holdings Limited and Relonchem Limited. Marksans Holdings Limited owns 100% of the ordinary share capital of Bell, Sons and Co. (Druggists) Limited.

The directors consider the results of Bell, Sons and Co. (Druggists) Limited for the year to be satisfactory. During the year like for like sales decreased from £18,516,229 to £15,984,125 and the profit on ordinary activities before taxation was £54,750 (2016: £480,150). The directors expect an increase in the level of activity in the forthcoming year.

The directors consider the results of Relonchem Limited for the year to be disappointing. During the year like for like sales decreased from £12,580,618 to £10,136,541 and this year the company made a loss on ordinary activities before taxation of £781,692 (2015: £813,357 profit).

The business model of the company is to secure sustained profitable growth via a change in the customer base to support long term supply arrangements and a progressive commercial reactivation of its substantial product portfolio (leveraging on the low cost manufacturing of its parent Marksans Pharma Limited). The directors therefore expect the performance of the company to continue to be improved in the next financial year.

Increasing purchasing costs continue to threaten margins. The group manages this risk by establishing strong relationships with suppliers (in particular its parent Marksans Pharma Limited), to enable negotiation and controlled management of potential future price increases and secure reliable supply. In addition production methods are constantly being reviewed to ensure the most efficient operations are in place.

The Group will continue to develop its product range through new product development and acquisition of licences, to meet market needs.

The group loss for the year, after taxation, amounted to £985,606 (2015: £645,378 profit).

On behalf of the board



.....
Mr M Saldanha
Director
.....

Marksans Pharma U.K. Limited

Directors' Report

For the year ended 31 March 2017

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

Principal activities

The principal activity of the company continued to be that of a holding company.

The principal activity of Bell, Sons and Co. (Druggists) Limited is the manufacture and sale of pharmaceuticals, while the principal activity of Relonchem Limited continued to be the development, registration and distribution of generic prescription pharmaceuticals in the UK.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M Saldanha
Mrs S Saldanha
Mr J Sharma
Mr S Jayanna
Mr R Williams

(Appointed 31 March 2017)

(Appointed 31 March 2017)

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.


Auditors

In accordance with the company's articles, a resolution proposing that Kingston Smith LLP be reappointed as auditors of the group will be put at a General Meeting.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board


.....
Mr M Saldanha
Director
.....

Marksans Pharma U.K. Limited

Directors' Responsibilities Statement

For the year ended 31 March 2017

The directors are responsible for preparing the group Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Marksans Pharma U.K. Limited

Independent Auditors' Report

To the Members of Marksans Pharma U.K. Limited

We have audited the group financial statements of Marksans Pharma U.K. Limited for the year ended 31 March 2017 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. 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 Financial Reporting Standard 102.

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 auditors' 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, 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 group's and the parent 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 Annual 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 group's and the parent company's affairs as at 31 March 2017 and of the group's loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Marksans Pharma U.K. Limited

Independent Auditors' Report (Continued)

To the Members of Marksans Pharma U.K. Limited

Matters on which we are required to report by exception

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 by the group, or returns adequate for our audit have not been received from branches not visited by us; or
- the group 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.

Parveen Chadda (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

.....

Chartered Accountants
Statutory Auditor

Surrey House
36-44 High Street
Redhill
Surrey
RH1 1RH

Marksans Pharma U.K. Limited

Consolidated Statement of Total Comprehensive Income For the year ended 31 March 2017

| | Notes | 2017 £ | 2016 £ |
|---|----------|--------------------|------------------|
| Turnover | 2 | 24,993,709 | 30,222,226 |
| Cost of sales | | (21,680,781) | (25,058,523) |
| Gross profit | | 3,312,928 | 5,163,703 |
| Distribution costs | | (952,729) | (1,203,632) |
| Administrative expenses | | (3,197,992) | (2,856,297) |
| Operating (loss)/profit | 3 | (837,793) | 1,103,774 |
| Interest receivable and similar income | 6 | 800 | 486 |
| Interest payable and similar charges | 7 | (235,460) | (195,838) |
| (Loss)/profit on ordinary activities before taxation | | (1,072,453) | 908,422 |
| Tax on profit on ordinary activities | 8 | 86,847 | (263,044) |
| (Loss)/profit on ordinary activities after taxation | | (985,606) | 645,378 |

Total comprehensive income for the year is all attributable to the owners of the parent company.

Marksans Pharma U.K. Limited

Group Balance Sheet

As at 31 March 2017

| | Notes | 2017 £ | £ | 2016 £ | £ |
|---|-------|--------------|---|--------------|---|
| Fixed assets | | | | | |
| Goodwill | 9 | 3,111,030 | | 3,396,887 | |
| Other intangible assets | 9 | 2,741,543 | | 2,990,780 | |
| Total intangible assets | | 5,852,573 | | 6,387,667 | |
| Tangible assets | 10 | 3,109,390 | | 3,214,074 | |
| | | 8,961,963 | | 9,601,741 | |
| Current assets | | | | | |
| Stocks | 14 | 8,472,493 | | 8,137,967 | |
| Debtors | 15 | 5,130,941 | | 5,378,557 | |
| Cash at bank and in hand | | 1,478,312 | | 1,124,034 | |
| | | 15,081,746 | | 14,640,558 | |
| Creditors: amounts falling due within one year | 16 | (14,077,651) | | (13,395,011) | |
| Net current assets | | 1,004,095 | | 1,245,547 | |
| Total assets less current liabilities | | 9,966,058 | | 10,847,288 | |
| Provisions for liabilities | 18 | (102,488) | | (102,488) | |
| Net assets | | 9,863,570 | | 10,744,800 | |
| Capital and reserves | | | | | |
| Called up share capital | 21 | 8,596,941 | | 8,492,565 | |
| Profit and loss reserves | | 1,266,629 | | 2,252,235 | |
| Shareholders' funds | | 9,863,570 | | 10,744,800 | |

The financial statements were approved by the board of directors and authorised for issue on
and are signed on its behalf by:


Mr M Saldanha
Director

Marksans Pharma U.K. Limited

Company Balance Sheet

As at 31 March 2017

| | Notes | 2017 £ | £ | 2016 £ | £ |
|---|-------|-------------|-------------|-------------|-------------|
| Fixed assets | | | | | |
| Investments | 11 | | 20,326,514 | | 20,326,514 |
| Current assets | | | | | |
| Debtors | 15 | 34,957 | | 34,957 | |
| Creditors: amounts falling due within one year | 16 | | | | |
| | | (5,171,086) | | (5,266,962) | |
| Net current liabilities | | | (5,136,129) | | (5,232,005) |
| Total assets less current liabilities | | | 15,190,385 | | 15,094,509 |
| Capital and reserves | | | | | |
| Called up share capital | 21 | | 8,596,941 | | 8,492,565 |
| Profit and loss reserves | | | 6,593,444 | | 6,601,944 |
| Shareholders' funds | | | 15,190,385 | | 15,094,509 |

The financial statements were approved by the board of directors and authorised for issue on
and are signed on its behalf by:


.....
Mr M Saldanha
Director

Company Registration No. 05467597

Marksans Pharma U.K. Limited

Group Statement of Changes in Equity For the year ended 31 March 2017

| | | Share capital £ | Profit and loss reserves £ | Total £ |
|--|----|-----------------------|-------------------------------------|------------|
| Balance at 1 April 2015 | | 8,492,565 | 1,606,857 | 10,099,422 |
| Period ended 31 March 2016: | | | | |
| Profit and total comprehensive income for the year | | - | 645,378 | 645,378 |
| Balance at 31 March 2016 | | 8,492,565 | 2,252,235 | 10,744,800 |
| Period ended 31 March 2017: | | | | |
| Loss and total comprehensive income for the year | | - | (985,606) | (985,606) |
| Issue of share capital | 21 | 104,376 | - | 104,376 |
| Balance at 31 March 2017 | | 8,596,941 | 1,266,629 | 9,863,570 |

Marksans Pharma U.K. Limited

Company Statement of Changes in Equity For the year ended 31 March 2017

| | Share capital £ | Profit and loss reserves £ | Total £ |
|--|-----------------------|-------------------------------------|-------------------|
| Balance at 1 April 2015 | 8,492,565 | 6,610,464 | 15,103,029 |
| Period ended 31 March 2016: | | | |
| Loss and total comprehensive income for the year | - | (8,520) | (8,520) |
| Balance at 31 March 2016 | 8,492,565 | 6,601,944 | 15,094,509 |
| Period ended 31 March 2017: | | | |
| Loss and total comprehensive income for the year | - | (8,500) | (8,500) |
| Issue of share capital | 104,376 | - | 104,376 |
| Balance at 31 March 2017 | <u>8,596,941</u> | <u>6,593,444</u> | <u>15,190,385</u> |

Marksans Pharma U.K. Limited

Consolidated Statement of Cash Flows For the year ended 31 March 2017

| | Notes | 2017 £ | £ | 2016 £ | £ |
|---|-------|-------------|---|-------------|---|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 25 | 1,119,659 | | 926,945 | |
| Interest paid | | (235,460) | | (195,838) | |
| Income taxes paid | | (263,491) | | (1,118,639) | |
| | | | | | |
| Net cash inflow/(outflow) from operating activities | | 620,708 | | (387,532) | |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (127,258) | | (339,674) | |
| Interest received | | 800 | | 486 | |
| | | | | | |
| Net cash used in investing activities | | (126,458) | | (339,188) | |
| Financing activities | | | | | |
| Proceeds from issue of shares | | 104,376 | | - | |
| | | | | | |
| Net cash generated from/(used in) financing activities | | 104,376 | | - | |
| | | | | | |
| Net increase/(decrease) in cash and cash equivalents | | 598,626 | | (726,720) | |
| Cash and cash equivalents at beginning of year | | (3,622,598) | | (2,895,878) | |
| | | | | | |
| Cash and cash equivalents at end of year | | (3,023,972) | | (3,622,598) | |
| | | | | | |
| Relating to: | | | | | |
| Cash at bank and in hand | | 1,478,312 | | 1,124,034 | |
| Bank overdrafts included in creditors payable within one year | | (4,502,284) | | (4,746,632) | |

Marksans Pharma U.K. Limited

Notes to the Financial Statements

For the Year Ended 31 March 2017

1 Accounting policies

Company information

Marksans Pharma U.K. Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is Cheshire House, Gorsey Lane, Widnes, Cheshire, WA8 0RP.

The Group consists of Marksans Pharma U.K. Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was £8,500 (2016 - £8,520 loss).

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Marksans Pharma U.K. Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 March 2017.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Marksans Pharma U.K. Limited

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2017

1 Accounting policies

(Continued)

1.4 Turnover

Turnover represents amounts receivable for goods and services supplied in the year net of VAT and trade discounts based on the date the goods are despatched.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Intangible fixed assets - goodwill

Goodwill is provided as the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life of 20 years.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|-------------------------------|-------------------|
| Patents | 10% straight line |
| Prescription product licenses | 5% straight line |

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

| | |
|-----------------------|----------------------|
| Freeland buildings | 2% straight line |
| Plant and machinery | 20% reducing balance |
| Fixtures and fittings | 25% reducing balance |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

Marksans Pharma U.K. Limited

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2017

1 Accounting policies

(Continued)

1.8 Impairment of fixed assets

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Marksans Pharma U.K. Limited

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2017

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Marksans Pharma U.K. Limited

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2017

1 Accounting policies

(Continued)

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group 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 group.

1.13 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets 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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any 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.

Marksans Pharma U.K. Limited

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2017

1 Accounting policies

(Continued)

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Turnover and other revenue

An analysis of the group's turnover is as follows:

| | 2017 £ | 2016 £ |
|----------------------------------|-----------------------------|-----------------------------|
| Turnover | | |
| Sale of goods | 24,993,709 | 30,222,226 |
| | <u> </u> | <u> </u> |
| Other significant revenue | | |
| Interest income | 800 | 486 |
| | <u> </u> | <u> </u> |

The analysis of turnover by geographical markets has been omitted as the directors consider that this would be prejudicial to the interests of the group.

3 Operating (loss)/profit

| | 2017 £ | 2016 £ |
|--|-----------------------------|-----------------------------|
| Operating (loss)/profit for the year is stated after charging/(crediting): | | |
| Exchange losses/(gains) | 14,189 | (22,159) |
| Depreciation of owned tangible fixed assets | 231,942 | 188,403 |
| Amortisation of intangible assets | 535,094 | 535,094 |
| Cost of stocks recognised as an expense | 16,221,200 | 19,454,304 |
| | <u> </u> | <u> </u> |

Marksans Pharma U.K. Limited

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2017

4 Auditors' remuneration

| | 2017 £ | 2016 £ |
|--|---------------|---------------|
| Fees payable to the company's auditor and its associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 4,250 | 4,000 |
| Audit of the company's subsidiaries | 20,000 | 18,500 |
| | <u>24,250</u> | <u>22,500</u> |

5 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

| | 2017 Number | 2016 Number |
|--------------------------|----------------|----------------|
| Production | 149 | 158 |
| Sales and administration | 18 | 23 |
| | <u>167</u> | <u>181</u> |

Their aggregate remuneration comprised:

| | 2017 £ | 2016 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 3,737,416 | 4,082,015 |
| Social security costs | 334,726 | 370,119 |
| Pension costs | 122,173 | 119,143 |
| | <u>4,194,315</u> | <u>4,571,277</u> |

During the year, no director (2016: none) of Marksans Pharma U.K. Limited received any emoluments from Marksans Pharma U.K. Limited or any of its subsidiaries.

During the year retirement benefits were accruing to no directors (2016: none) of Marksans Pharma U.K. Limited in respect of defined contribution pension schemes.

6 Interest receivable and similar income

| | 2017 £ | 2016 £ |
|------------------------|------------|------------|
| Interest income | | |
| Other interest income | 800 | 486 |
| | <u>800</u> | <u>486</u> |

Marksans Pharma U.K. Limited

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2017

7 Interest payable and similar charges

| | 2017 £ | 2016 £ |
|--|----------------|----------------|
| Interest on financial liabilities measured at amortised cost: | | |
| Interest on bank overdrafts and loans | 234,289 | 195,838 |
| Interest on finance leases and hire purchase contracts | 1,171 | - |
| | <u>235,460</u> | <u>195,838</u> |

8 Taxation

| | 2017 £ | 2016 £ |
|--|-----------------|----------------|
| UK corporation tax on profits for the current period | <u>(86,847)</u> | <u>263,044</u> |

The charge for the year can be reconciled to the loss per the profit and loss account as follows:

| | 2017 £ | 2016 £ |
|---|--------------------|----------------|
| (Loss)/profit before taxation | <u>(1,072,453)</u> | <u>908,422</u> |
| <i>Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)</i> | (214,491) | 181,684 |
| Tax effect of expenses that are not deductible in determining taxable profit | 10,601 | 20,998 |
| Unutilised tax losses carried forward | 12,202 | - |
| Permanent capital allowances in excess of depreciation | 9,452 | (34,837) |
| Depreciation on assets not qualifying for tax allowances | 201 | - |
| Amortisation on assets not qualifying for tax allowances | 95,285 | 95,285 |
| Other tax adjustments | (97) | (86) |
| Tax expense for the year | <u>(86,847)</u> | <u>263,044</u> |

Marksans Pharma U.K. Limited

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2017

9 Intangible fixed assets

| Group | Goodwill | Patents | Prescription product licenses | Total |
|------------------------------------|-----------|---------|-------------------------------|------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 April 2016 and 31 March 2017 | 5,717,140 | 58,950 | 4,866,894 | 10,642,984 |
| Amortisation and impairment | | | | |
| At 1 April 2016 | 2,320,253 | 29,445 | 1,905,619 | 4,255,317 |
| Amortisation charged for the year | 285,857 | 5,892 | 243,345 | 535,094 |
| At 31 March 2017 | 2,606,110 | 35,337 | 2,148,964 | 4,790,411 |
| Carrying amount | | | | |
| At 31 March 2017 | 3,111,030 | 23,613 | 2,717,930 | 5,852,573 |
| At 31 March 2016 | 3,396,887 | 29,505 | 2,961,275 | 6,387,667 |

The company had no intangible fixed assets at 31 March 2017 or 31 March 2016.

10 Tangible fixed assets

| Group | Freeland buildings | Plant and machinery | Fixtures and fittings | Total |
|------------------------------------|--------------------|---------------------|-----------------------|-----------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 April 2016 | 2,371,743 | 4,279,561 | 9,000 | 6,660,304 |
| Additions | - | 127,258 | - | 127,258 |
| Disposals | - | - | (9,000) | (9,000) |
| At 31 March 2017 | 2,371,743 | 4,406,819 | - | 6,778,562 |
| Depreciation and impairment | | | | |
| At 1 April 2016 | 121,296 | 3,315,934 | 9,000 | 3,446,230 |
| Depreciation charged in the year | 50,195 | 181,747 | - | 231,942 |
| Eliminated in respect of disposals | - | - | (9,000) | (9,000) |
| At 31 March 2017 | 171,491 | 3,497,681 | - | 3,669,172 |
| Carrying amount | | | | |
| At 31 March 2017 | 2,200,252 | 909,138 | - | 3,109,390 |
| At 31 March 2016 | 2,250,447 | 963,627 | - | 3,214,074 |

The company had no tangible fixed assets at 31 March 2017 or 31 March 2016.

Marksans Pharma U.K. Limited

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2017

10 Tangible fixed assets

(Continued)

Freehold land with a valuation of £550,000 (2016: £550,000) and a cost of £268,500 (2016: £268,500) has not been depreciated.

The property was externally valued on 31 March 2013 at £2,300,000 by Eddisons Chartered Surveyors on an open market basis. The directors are not aware of any material change in value subsequently.

11 Fixed asset investments

| | Notes | Group 2017 £ | 2016 £ | Company 2017 £ | 2016 £ |
|-----------------------------|-------|--------------------|-----------|----------------------|------------|
| Investments in subsidiaries | 12 | - | - | 20,326,514 | 20,326,514 |

12 Subsidiaries

Details of the company's subsidiaries at 31 March 2017 are as follows:

| Name of undertaking and country of incorporation or residency | Nature of business | Class of shareholding | % Held | |
|---|--------------------------------------|-----------------------|--------|----------|
| | | | Direct | Indirect |
| Marksans Holdings Limited | England and Wales Holding company | Ordinary | 100 | |
| Bell, Sons & Co. (Druggists) Limited | England and Wales Pharmaceuticals | Ordinary | | 100 |
| Relonchem Limited | England and Wales Pharmaceuticals | England and Wales | 100 | |

13 Financial instruments

| | Group 2017 £ | 2016 £ | Company 2017 £ | 2016 £ |
|---|--------------------|------------|----------------------|-----------|
| Carrying amount of financial assets | | | | |
| Debt instruments measured at amortised cost | 4,947,131 | 5,280,879 | 34,957 | 34,957 |
| Carrying amount of financial liabilities | | | | |
| Measured at amortised cost | 13,856,338 | 12,706,094 | 5,171,086 | 5,266,962 |

Marksans Pharma U.K. Limited

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2017

14 Stocks

| | Group 2017 £ | 2016 £ | Company 2017 £ | 2016 £ |
|-------------------------------------|--------------------|------------------|----------------------|-----------|
| Raw materials and consumables | 1,161,568 | 960,578 | - | - |
| Finished goods and goods for resale | 7,310,925 | 7,177,389 | - | - |
| | <u>8,472,493</u> | <u>8,137,967</u> | <u>-</u> | <u>-</u> |

15 Debtors

| | Group 2017 £ | 2016 £ | Company 2017 £ | 2016 £ |
|---|--------------------|------------------|----------------------|---------------|
| Amounts falling due within one year: | | | | |
| Trade debtors | 4,688,885 | 5,233,047 | - | - |
| Corporation tax recoverable | 86,847 | - | - | - |
| Amounts due from fellow group undertakings | - | - | 34,957 | 34,957 |
| Other debtors | 258,246 | 47,832 | - | - |
| Prepayments and accrued income | 96,963 | 97,678 | - | - |
| | <u>5,130,941</u> | <u>5,378,557</u> | <u>34,957</u> | <u>34,957</u> |

16 Creditors: amounts falling due within one year

| | Notes | Group 2017 £ | 2016 £ | Company 2017 £ | 2016 £ |
|--|-------|--------------------|-------------------|----------------------|------------------|
| Loans and overdrafts | 17 | 4,502,284 | 4,746,632 | - | - |
| Corporation tax payable | | - | 263,491 | - | - |
| Other taxation and social security | | 221,313 | 425,426 | - | - |
| Trade creditors | | 2,669,800 | 2,395,226 | - | - |
| Amounts due to fellow group undertakings | | 6,146,282 | 5,061,193 | 5,159,306 | 5,255,182 |
| Other creditors | | 68,478 | 15,976 | - | - |
| Accruals and deferred income | | 469,494 | 487,067 | 11,780 | 11,780 |
| | | <u>14,077,651</u> | <u>13,395,011</u> | <u>5,171,086</u> | <u>5,266,962</u> |

Marksans Pharma U.K. Limited

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2017

17 Loans and overdrafts

| | Group 2017 £ | 2016 £ | Company 2017 £ | 2016 £ |
|-------------------------|--------------------|-----------|----------------------|-----------|
| Bank overdrafts | 4,502,284 | 4,746,632 | - | - |
| Payable within one year | 4,502,284 | 4,746,632 | - | - |

Bank overdrafts totalling £4,502,284 (2016 - £4,746,632) are secured on an all asset debenture charge creating a first charge over all freehold property and other assets within the group together with a corporate guarantee from the parent company, Marksans Pharma Limited, for the whole proposed credit facility.

18 Provisions for liabilities

| | Group 2017 £ | 2016 £ | Company 2017 £ | 2016 £ |
|--------------------------|--------------------|-----------|----------------------|-----------|
| Deferred tax liabilities | 19 102,488 | 102,488 | - | - |

19 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| Group | Liabilities 2017 £ | Liabilities 2016 £ |
|--------------------------------|--------------------------|--------------------------|
| Accelerated capital allowances | 102,488 | 102,488 |

The company has no deferred tax assets or liabilities.

There were no deferred tax movements in the year.

Marksans Pharma U.K. Limited

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2017

20 Retirement benefit schemes

| | 2017 £ | 2016 £ |
|--|-----------|-----------|
| Defined contribution schemes | | |
| Charge to profit and loss in respect of defined contribution schemes | 122,173 | 119,143 |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

21 Share capital

| | Group and company | |
|--|-------------------|-----------|
| | 2017 £ | 2016 £ |
| Ordinary share capital | | |
| Issued and fully paid | | |
| 8,596,941 (2016: 8,492,565) Ordinary Shares of £1 each | 8,596,941 | 8,492,565 |

22 Operating lease commitments

Lessee

Operating lease payments represent rentals payable in respect of property, equipment and vehicles.

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

| | Group 2017 £ | 2016 £ | Company 2017 £ | 2016 £ |
|----------------------------|--------------------|----------------|----------------------|-----------|
| Within one year | 91,402 | 56,905 | - | - |
| Between two and five years | 178,951 | 63,850 | - | - |
| | <u>270,353</u> | <u>120,755</u> | <u>-</u> | <u>-</u> |

23 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

| | 2017 £ | 2016 £ |
|------------------------|-----------|-----------|
| Aggregate compensation | 293,308 | 297,226 |

Marksans Pharma U.K. Limited

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2017

23 Related party transactions

(Continued)

The company has taken the exemption from disclosing related party transactions with companies under the same control in accordance with FRS 102- Section 33 "Related Party Disclosures".

At the year end, a balance of £40,000 (2016: £40,000) was due to Relonchem Limited from Mr S Jayanna, a group director.

24 Controlling party

The immediate parent undertaking is Marksans Pharma Limited, a company incorporated in India. Consolidated accounts are available from The Registrar of Companies, Everest 100, Marine Drive, Mumbai - 400 002, Maharashtra. In the opinion of the directors, Marksans Pharma Limited is the company's ultimate parent company and ultimate controlling party.

25 Cash generated from operations

| | 2017 £ | 2016 £ |
|--|------------------|----------------|
| (Loss)/profit for the year after tax | (985,606) | 645,378 |
| Adjustments for: | | |
| Taxation (credited)/charged | (86,847) | 263,044 |
| Finance costs | 235,460 | 195,838 |
| Investment income | (800) | (486) |
| Amortisation and impairment of intangible assets | 535,094 | 535,094 |
| Depreciation and impairment of tangible fixed assets | 231,942 | 188,403 |
| Movements in working capital: | | |
| (Increase) in stocks | (334,526) | (390,778) |
| Decrease in debtors | 334,463 | 131,750 |
| Increase/(decrease) in creditors | 1,190,479 | (641,298) |
| Cash generated from operations | 1,119,659 | 926,945 |

MARKSANS PHARMA, INC. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED MARCH 31, 2017

MARKSANS PHARMA, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors and Stockholder of
Marksans Pharma, Inc. and Subsidiaries**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Marksans Pharma, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of March 31, 2017, and the related consolidated statements of income, changes in stockholder's equity and cash flows for the year ended March 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marksans Pharma, Inc. and Subsidiaries as of March 31, 2017, and the consolidated results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of cost of revenues and schedule of selling, general and administrative expenses for the year ended March 31, 2017 on pages 19-20 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Marcum LLP

Melville, NY
May 18, 2017

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

MARCH 31, 2017

Assets

Current Assets

| | |
|---|----------------|
| Cash and cash equivalents | \$ 1,507,766 |
| Accounts receivable | 6,272,187 |
| Inventories | 12,059,634 |
| Prepaid expenses and other current assets | <u>431,840</u> |

Total Current Assets \$ 20,271,427

Property, Equipment and Building Improvements, Net 7,111,074

Other Assets

| | |
|-----------------------|----------------|
| Goodwill, net | 7,010,403 |
| Intangibles | 1,925,000 |
| Deferred income taxes | <u>317,568</u> |

Total Other Assets 9,252,971

Total Assets \$ 36,635,472

The accompanying notes are an integral part of these consolidated financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

MARCH 31, 2017

Liabilities and Stockholder's Equity

Current Liabilities

| | |
|--|---------------|
| Accounts payable and accrued expenses | \$ 11,115,879 |
| Capital lease obligations, current portion | <u>13,867</u> |

Total Current Liabilities \$ 11,129,746

Long-Term Liabilities

| | |
|---|---------------|
| Capital lease obligations, net of current portion | <u>29,233</u> |
|---|---------------|

Total Liabilities 11,158,979

Commitments and Contingencies

Stockholder's Equity

| | |
|--|------------------|
| Common stock, \$.01 par value; 200 shares authorized, 100 shares issued and outstanding | 1 |
| Additional paid-in capital | 26,106,742 |
| Accumulated deficit | <u>(630,250)</u> |

Total Stockholder's Equity 25,476,493

Total Liabilities and Stockholder's Equity \$ 36,635,472

The accompanying notes are an integral part of these consolidated financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 2017

| | | |
|---|----------------|--------------------------|
| Revenues | | \$ 38,691,660 |
| Cost of Revenues | | <u>33,054,665</u> |
| Gross Profit | | 5,636,995 |
| Expenses | | |
| Selling, general and administrative | \$ 4,204,025 | |
| Research and development | 16,478 | |
| Depreciation and amortization | <u>911,400</u> | |
| Total Operating Expenses | | <u>5,131,903</u> |
| Income From Operations | | 505,092 |
| Other Income (Expense) | | |
| Interest income | 4,980 | |
| Interest expense | <u>(1,751)</u> | |
| Total Other Income | | <u>3,229</u> |
| Income Before Income Tax Expense | | 508,321 |
| Income Tax Expense | | <u>181,345</u> |
| Net Income | | <u><u>\$ 326,976</u></u> |

The accompanying notes are an integral part of these consolidated financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE YEAR ENDED MARCH 31, 2017

| | Common Stock Shares | Amount | Additional Paid-in Capital | Accumulated Deficit | Total Stockholder's Equity |
|---------------------------------|------------------------|-------------|-------------------------------|------------------------|----------------------------------|
| Balance - April 1, 2016 | 100 | \$ 1 | \$ 25,806,742 | \$ (957,226) | \$ 24,849,517 |
| Contributions | -- | -- | 300,000 | -- | 300,000 |
| Net income | -- | -- | -- | 326,976 | 326,976 |
| Balance - March 31, 2017 | <u>100</u> | <u>\$ 1</u> | <u>\$ 26,106,742</u> | <u>\$ (630,250)</u> | <u>\$ 25,476,493</u> |

The accompanying notes are an integral part of these consolidated financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2017

Cash Flows From Operating Activities

| | | | |
|---|----|------------------|---------|
| Net income | | \$ | 326,976 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | \$ | 378,615 | |
| Amortization | | 851,732 | |
| Deferred income taxes | | 168,542 | |
| Changes in assets and liabilities: | | | |
| Accounts receivable | | (3,303,359) | |
| Inventories | | (6,639,621) | |
| Prepaid expenses, deposits and other current assets | | (42,364) | |
| Accounts payable and accrued expenses | | <u>8,271,487</u> | |

Net Cash Provided by Operating Activities 12,008

Cash Flows From Investing Activities

| | |
|-----------------------------|------------------|
| Purchases of equipment, net | (303,533) |
| Purchase of intangible | <u>(300,000)</u> |

Net Cash Used in Investing Activities (603,533)

Cash Flows From Financing Activities

| | |
|---------------------------------------|-----------------|
| Contributions | 300,000 |
| Payments of capital lease obligations | <u>(11,974)</u> |

Net Cash Provided by Financing Activities 288,026

Net Decrease in Cash and Cash Equivalents (303,499)

Cash and Cash Equivalents – Beginning 1,811,265

Cash and Cash Equivalents – Ending \$ 1,507,766

The accompanying notes are an integral part of these consolidated financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED MARCH 31, 2017

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for:

| | | |
|--------------|----|-------|
| Interest | \$ | 1,301 |
| Income taxes | \$ | 2,000 |

Non-Cash Investing and Financing Activities

| | | |
|--|----|---------|
| Cost related to acquisition of intangible included in accrued expenses | \$ | 275,000 |
| Equipment acquired through capital lease | \$ | 30,900 |

The accompanying notes are an integral part of these consolidated financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

NOTE 1 - NATURE OF BUSINESS

Marksans Pharma, Inc. ("Marksans"), a New York corporation, is a wholly owned subsidiary of Marksans Pharma, Ltd., India ("Parent"). On June 22, 2015, Marksans acquired the stock of Time-Cap Laboratories Inc. ("Time-Cap") and its wholly owned subsidiary Custom Coating Inc. ("Coatings"). Simultaneously, Marksans Realty LLC ("Realty"), a wholly owned subsidiary of Time-Cap, was formed and acquired the real estate in which Time-Cap and Coatings have their operations. Time-Cap and Coatings are engaged primarily in the manufacture, coating, distribution and sales of pharmaceutical products in the continental United States.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of Marksans and its wholly owned subsidiaries Time-Cap, Coatings and Realty (collectively the "Company"). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

REVENUE RECOGNITION

The Company recognizes product sales revenue when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the sales price to the customer is fixed or determinable, and collection is reasonably assured.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank deposits, and certificates of deposit with original maturity dates of three months or less from the date of purchase. At times, the Company's cash may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limit. At March 31, 2017, all of the Company's cash was held in three financial institutions.

LEASES

The Company has an operating lease for a facility expiring in 2024. The Company will amortize the total lease cost on a straight line basis over the minimum lease term (see Note 7).

MARKSANS PHARMA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE

The Company's exposure to credit risk is dependent, to a large extent, on the pharmaceutical industry. The Company routinely addresses the financial strength of its customers, and, as a consequence, believes that its receivable credit risk is limited.

The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current creditworthiness, as determined by a review of their current credit information. While credit losses have historically been within the Company's expectations, the Company cannot guarantee that the same credit loss rates will be experienced in the future. The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the accounts receivable balance.

Accounts receivable are written off when they are determined to be uncollectible. Based on management's evaluation of collectability, an allowance for doubtful accounts has not been provided as the amount is not considered material at March 31, 2017.

FINANCIAL INSTRUMENTS

The estimated fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts due to their short-term maturities. The carrying value of the capital lease obligations approximates fair value based upon the market interest rates available to the Company for capital lease obligations with similar risk and maturities.

INVENTORIES

The Company values its inventories at the lower of cost or market using the first-in, first-out ("FIFO") method.

PROPERTY, EQUIPMENT AND BUILDING IMPROVEMENTS

Property, equipment and building improvements are recorded at cost net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives which range from five to thirty-nine years.

GOODWILL

Goodwill represents the excess of the purchase price of a business over the fair value of the identifiable net assets acquired. The Company has elected the accounting alternative to amortize goodwill on a straight-line basis over ten years and elected to test goodwill for impairment at the entity level upon occurrence of a triggering event. As of March 31, 2017, the Company has not identified any triggering events indicating that any goodwill recognized may be impaired. Consequently, the Company did not recognize any impairment for the year ended March 31, 2017.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLES

Intangibles consist of marketing rights with an indefinite life which are not being amortized, but will be evaluated for impairment on an annual basis or at other times during the year if events and circumstances indicate that it is more likely than not that the fair value of the marketing rights is below the carrying value. Management has determined that as of March 31, 2017, the intangibles are not impaired.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. Long-lived assets held for use are subject to an impairment assessment if the carrying value is no longer recoverable based upon the undiscounted cash flows of the assets. The amount of the impairment is the difference between the carrying amount and the fair value of the asset. The Company does not believe any of its long-lived assets were impaired at March 31, 2017.

INCOME TAXES

Deferred taxes represent the tax effects of differences between the financial reporting and tax bases of the Company's assets and liabilities at the enacted tax rates in effect for the years in which the differences are expected to reverse. The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Income tax expense consists of the income tax within the period and the change during the period in deferred tax assets and liabilities. The Company classifies deferred income taxes as non-current on the consolidated balance sheet.

The Company uses a prescribed recognition threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in an income tax return. The Company recognizes such tax benefits based upon the tax position being more-likely-than-not to be sustained upon examination by taxing authorities. The Company has identified its Federal tax returns and its New York State tax returns as "major" tax jurisdictions. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company's evaluation was performed for the tax year ended March 31, 2017.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

The Company believes that its income tax positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its financial position.

The Company's policy for recording interest and penalties associated with audits is to record such items as a component of income tax expense. There were no amounts accrued for penalties or interest as of or during the year ended March 31, 2017.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense for the year ended March 31, 2017 was \$9,727.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include goodwill, accounts receivable allowances and deferred tax valuation allowance. Actual results could differ significantly from those estimates.

RECENT ACCOUNTING PRONOUNCEMENTS

The FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842): Accounting for Leases ("ASU 2016-02"), which supersedes existing guidance on accounting for leases in Topic 840 and generally requires all leases, including operating leases, to be recognized in the balance sheet as right-of-use assets and lease liabilities by lessees. For private business entities, the amendments in this ASU are effective for financial statements issued for annual periods beginning after December 15, 2019, and interim periods within those annual periods. The Company is evaluating the effects that adoption for this ASU will have on its consolidated financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In May 2014, the Financial Accounting Standards Board ("FASB") issued an update ("ASU 2014-09") Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides five steps for an entity to achieve that core principle and provides disclosure requirements for revenue recognition. The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer. In August 2015, the FASB issued ASU 2015-14, Deferral of the Effective Date, which amended the effective date to reporting periods beginning after December 15, 2018 for nonpublic reporting entities. In March 2016, the FASB issued an update ("ASU 2016-08"), Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies the guidance on principal versus agent considerations. In April 2016, the FASB issued an update ("ASU 2016-10"), Identifying Performance Obligations and Licensing, which provides clarification related to identifying performance obligations and licensing implementation guidance under ASU 2014-09. In May 2016, the FASB issued an update ("ASU 2016-12"), Narrow-Scope Improvements and Practical Expedients, which amends guidance on transition, collectability, noncash consideration and the presentation of sales and other similar taxes. The effective date and transition requirements are the same as those in ASU 2014-09 for all subsequent clarifying guidance discussed herein. The Company is currently evaluating the impact of adopting these ASU's on the Company's financial statements.

NOTE 3 - INVENTORY

Inventory consists of the following at March 31, 2017:

| | <u>Amount</u> |
|----------------------------|----------------------------|
| Raw materials and supplies | \$ 2,519,706 |
| WIP | 967,275 |
| Finished goods | <u>8,572,653</u> |
| Total | <u>\$12,059,634</u> |

MARKSANS PHARMA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

NOTE 4 – PROPERTY, EQUIPMENT AND BUILDING IMPROVEMENTS

Property, equipment and building improvements consists of the following at March 31, 2017:

| | Amount |
|-------------------------------------|---------------------------|
| Land | \$ 62,080 |
| Building and improvements | 5,541,522 |
| Office and computer equipment | 225,683 |
| Furniture and fixtures | 59,591 |
| Machinery and equipment | 1,836,050 |
| Vehicles | <u>22,030</u> |
| Total Property and Equipment | 7,746,956 |
| Accumulated depreciation | <u>(635,882)</u> |
| Property and Equipment | <u>\$7,111,074</u> |

Depreciation expense for the year ended March 31, 2017 was \$378,615.

NOTE 5 – GOODWILL AND INTANGIBLES

Goodwill and intangibles consisted of the following at March 31, 2017:

| | Goodwill | Intangibles |
|---------------------------------|----------------------------|---------------------------|
| Balance - April 1, 2016 | \$ 8,517,323 | \$1,350,000 |
| Additions | --- | 575,000 |
| Accumulated amortization | <u>(1,506,920)</u> | <u>--</u> |
| Balance - March 31, 2017 | <u>\$ 7,010,403</u> | <u>\$1,925,000</u> |

The amortization period of goodwill is ten (10) years. Amortization expense of goodwill for the year ended March 31, 2017 was \$851,732. Amortization expense for each of the next five (5) succeeding periods is \$851,732.

The Company acquired transferrable marketing rights of various Parent products from a third party for an aggregate amount of \$1,925,000 on March 2016 and March 2017.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

NOTE 6 - INCOME TAXES

Income tax expense consists of current State and Local tax expense of \$12,803 and deferred tax expense of \$168,542.

Significant components of the Company's deferred tax assets and liabilities at March 31, 2017 are as follows:

| | <u>Amount</u> |
|--|--------------------------|
| Deferred Tax Assets (Liabilities): | |
| Net operating loss carryovers | \$ 22,660 |
| Goodwill and other intangibles | 291,235 |
| Property, equipment and capital leases | (214,823) |
| Accruals and reserves not currently deductible | 123,567 |
| Capitalized inventory costs | 80,081 |
| Alternative minimum tax credit | 5,304 |
| State tax credit carryovers | <u>9,544</u> |
| Net Deferred Tax Assets | <u><u>\$ 317,568</u></u> |

The Company has \$66,647 of Federal net operating loss carryforwards ("NOL's") that are available to reduce future taxable income. These NOL's expire at various dates through 2035.

The Company has \$14,460 of New York investment tax credit carryforwards that will start to expire after 2032.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases office space located in Hauppauge, New York, under a non-cancelable operating lease which expires November 2017 and automatically renews on an annual basis unless a 3 month written notice is provided. The Company is responsible for certain utilities and monthly maintenance under the lease. Rent expense was approximately \$9,400 for the year ended March 31, 2017.

The Company entered into a non-cancelable operating lease in March 2017 for warehouse space located in Hicksville, NY. The lease is scheduled to commence upon completion of various improvements as stipulated by the lease and expire on the last day of the calendar month in which the eighty seven month anniversary of the commencement date occurs. The Company expects the lease to commence in June 2017.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

NOTE 7 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

LEASES (CONTINUED)

Future minimum rental payments required under the above non-cancelable operating leases at March 31, 2017 are as follows:

| For the Year Ending March 31, | Amount |
|-------------------------------------|-------------------------|
| 2018 | \$ 88,052 |
| 2019 | 115,837 |
| 2020 | 130,858 |
| 2021 | 135,438 |
| 2022 | 140,179 |
| Thereafter | <u>359,492</u> |
| Total | <u>\$969,856</u> |

CAPITALIZED LEASE OBLIGATIONS

The Company has acquired equipment under capital leases with effective interest rates of 3.3% and 4.7% that expire in March 2019 and June 2021, respectively. The assets and liabilities under capital leases are recorded at the lower of the present values of the minimum lease payments or the fair values of the assets. The aggregate cost of the assets included in property, equipment and building improvements is \$69,900 at March 31, 2017. These assets are depreciated over their estimated useful lives.

Future annual minimum payments under these leases are:

| For the Year Ending March 31, | Amount |
|---|-------------------------|
| 2018 | \$ 15,432 |
| 2019 | 15,432 |
| 2020 | 6,953 |
| 2021 | 6,953 |
| 2022 | <u>1,738</u> |
| | 46,508 |
| Less: Amounts representing interest | <u>(3,408)</u> |
| Net present value of minimum capital lease payments | 43,100 |
| Less: current portion of capital lease obligations | <u>(13,867)</u> |
| Capital Lease Obligations Net of Current Portion | <u>\$ 29,233</u> |

MARKSANS PHARMA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

NOTE 7 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

LEGAL MATTERS

From time to time, the Company may be a party to litigation arising in the normal course of its business operations. In the opinion of management, it is not anticipated that the settlement or resolution of any such matters will have a material adverse impact on the Company's financial condition, liquidity or results of operations.

EMPLOYMENT AGREEMENT

The Company has an employment agreement with a key employee. The agreement calls for an annual base salary and bonuses plus certain fringe benefits, as defined, and expires in fiscal year 2021.

As of March 31, 2017, future minimum obligations under the employment agreement are as follows:

| For the Years Ending March 31, | Amount |
|--------------------------------------|-------------------------|
| 2018 | \$225,000 |
| 2019 | 225,000 |
| 2020 | 225,000 |
| 2021 | <u>75,000</u> |
| Total | <u>\$750,000</u> |

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Company has an employee benefit plan that covers substantially all full-time employees who have met certain age and length of service requirements. Contributions to the plan are at the discretion of the Board of Directors. Employer contributions to the plan were approximately \$4,300 for the year ended March 31, 2017.

NOTE 9 - RESEARCH AND DEVELOPMENT COSTS

Research and development costs related to both future and present products are charged to operations as incurred. For the year ended March 31, 2017, the Company expended approximately \$16,500 for research and development costs.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

NOTE 10 - RELATED PARTY TRANSACTIONS

The Company purchases a substantial amount of its inventory from the Parent. Total purchases from the Parent were approximately \$12,786,000 for the year ended March 31, 2017 and the balance due the Parent in the amount of approximately \$7,636,000 is included in accounts payable on the accompanying consolidated balance sheet.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash and cash equivalents and trade accounts receivable.

Concentrations of credit risk with respect to trade receivables are limited due to the diverse group of customers to whom the Company sells. The Company reviews a customer's credit history before extending credit, and will establish an allowance for possible losses, if necessary, based upon factors such as the credit risk of specific customers, historical trends and other information.

MAJOR CUSTOMERS

During the year ended March 31, 2017, the Company had sales to two customers aggregating approximately \$16,590,000, which represents approximately 43% of total revenues for the period. At March 31, 2017, amounts due from these customers included in accounts receivable was approximately \$1,172,000, or 19% of accounts receivable.

NOTE 12 - SUBSEQUENT EVENTS

The Company evaluates events that occur after the year-end date through the date the financial statements are available to be issued. Accordingly, management has evaluated subsequent events through May 18, 2017, and has determined that there were no subsequent events requiring adjustment to, or disclosure in, the financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF COST OF REVENUES

FOR THE YEAR ENDED MARCH 31, 2017

| | | |
|---------------------------------------|------------------|-----------------------------|
| Inventory - Beginning | \$ 5,420,013 | |
| Purchases | 28,223,549 | |
| Packaging | 749,145 | |
| Direct labor costs and benefits | 6,388,941 | |
| Payroll taxes | 491,616 | |
| Freight | 1,249,143 | |
| Facility costs | <u>2,591,892</u> | |
| Total Goods Available for Sale | | \$ 45,114,299 |
| Less: Inventory - Ending | | <u>12,059,634</u> |
| Total Cost of Revenue | | <u><u>\$ 33,054,665</u></u> |
| Facility Costs | | |
| Utilities | \$ 616,313 | |
| Repairs and maintenance | 471,052 | |
| Rent and real estate taxes | 237,242 | |
| Insurance | 547,796 | |
| Factory supplies | 398,004 | |
| Equipment rental | 2,538 | |
| Depreciation and amortization | <u>318,947</u> | |
| Total Facility Costs | | <u><u>\$ 2,591,892</u></u> |

See independent auditors' report.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED MARCH 31, 2017

| | |
|---|--------------------------------|
| Office salaries | \$ 2,152,061 |
| Officers' salaries | 438,893 |
| Payroll taxes | 211,261 |
| Professional fees | 360,959 |
| Commissions | 126,491 |
| Insurance | 173,088 |
| Rent and real estate taxes | 20,183 |
| Transportation | 60,360 |
| Advertising | 9,727 |
| Marketing and promotion | 41,767 |
| Office expense | 57,758 |
| Computer | 126,520 |
| Telephone and utilities | 67,716 |
| Repairs and maintenance | 42,429 |
| Dues and subscriptions | 12,563 |
| License and permits | 279,546 |
| Miscellaneous | <u>22,703</u> |
| Total Selling, General and Administrative Expenses | <u>\$ 4,204,025</u> |

See independent auditors' report.

NOVA PHARMACEUTICALS
AUSTRALASIA PTY LTD

FINANCIAL STATEMENTS FOR YEAR
ENDED 31ST MARCH, 2017

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD

ACN 104 838 440

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NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

DIRECTORS' REPORT

The Directors present their report on the Company for the financial year ended 31st March 2017 as follows:-

1. DIRECTORS

The names of the Directors in office since the start of the financial year to the date of this report, unless otherwise stated, are:

| | |
|------------|--------------|
| H Mohammed | O Mohammed |
| M Saldanha | J M P Sharma |

2. PRINCIPAL ACTIVITY

The principal activity of the Company during the financial year was that of Medicines Wholesaling. No significant change in the nature of these activities occurred during the year.

3. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the company's state of affairs occurred during the year.

4. REVIEW OF OPERATIONS

During the year ended 31st March 2017 the company earned a profit after tax of \$1,236,407.

5. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or state of affairs of the company in future financial years.

6. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the company and the expected results of those operations in the future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

7. ENVIRONMENTAL REGULATION

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

8. DIVIDENDS

Dividends paid during the year amounted to \$2,207,693. The Directors decided that no final dividends be declared for the year ended 31st March 2017.

9. OPTIONS

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

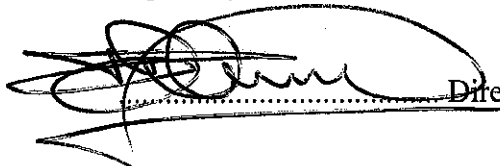
10. INDEMNIFICATION OF OFFICERS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

11. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Signed by a Director.



Director

Dated at Bella Vista this 27th day of April 2017.

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD

ACN 104 838 440

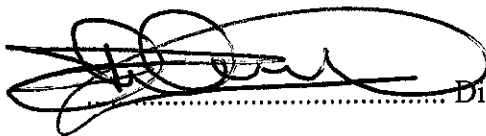
DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity. The directors have determined that this special purposes financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes present fairly the company's financial position as at 31st March 2017 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:

 Director

Dated at Bella Vista this 27th day of April 2017.



CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

DARSHAN DHILLON

Bsc(Hons), DMA,CA
Chartered Accountant, Tax Agent

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Facsimile: (02)9876 1164

Email: darshan.info@bigpond.com

INDEPENDENT ACCOUNTANT'S REPORT TO

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD

Scope

I have prepared the accompanying special purpose financial statements of NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD, which comprise the statement of financial position as at 31st March 2017, the statement of comprehensive income, the statement of profit or loss, the trading account, the notes to the financial statements, and the statement of cashflows for the year then ended.

The specific purpose for which the special purpose financial statements have been prepared is set out in Note 1.

The Responsibility of the Directors of NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD

The directors of NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD are solely responsible for the information contained in the special purpose financial statements and have determined that the significant accounting policies adopted as set out in Note 1 to the financial statements are appropriate to meet their needs and for the purpose that the financial statements were prepared.

My Responsibility

On the basis of information provided by the directors of NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD, I have prepared the accompanying special purpose financial statements in accordance with the significant accounting policies adopted as set out in Note 1 to the financial statements.

Dated at Epping, this 27th day of April 2017


Darshan Dhillon

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD**ACN 104 838 440****STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2017**

| | NOTE | 2016 |
|-------------------------------------|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash | 2 169,245 | 1,752,593 |
| Receivables | 3 2,681,674 | 2,608,964 |
| Inventories | 4 2,812,455 | 1,347,909 |
| | <u>5,663,374</u> | <u>5,709,466</u> |
| NON-CURRENT ASSETS | | |
| Investments | 5 94 | 94 |
| PROPERTY PLANT AND EQUIPMENT | 6 116,541 | 83,810 |
| | <u>116,635</u> | <u>83,904</u> |
| TOTAL ASSETS | <u>5,780,009</u> | <u>5,793,370</u> |
| CURRENT LIABILITIES | | |
| Creditors & Borrowings | 7 2,638,819 | 1,477,620 |
| Provisions | 8 - | 203,273 |
| | <u>2,638,819</u> | <u>1,680,893</u> |
| TOTAL LIABILITIES | <u>2,638,819</u> | <u>1,680,893</u> |
| NET ASSETS | <u>\$ 3,141,190</u> | <u>\$ 4,112,477</u> |
| SHARE CAPITAL AND RESERVES | | |
| Share Capital | 150 | 150 |
| Accumulated Profit | <u>3,141,040</u> | <u>4,112,326</u> |
| TOTAL CAPITAL & RESERVES | <u>\$ 3,141,190</u> | <u>\$ 4,112,476</u> |

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2017

| | NOTE | 2016 |
|----------------------------|--------------|--------------|
| Profit | | |
| Before Income Tax | 1,772,887 | 2,977,802 |
| Income Tax Expense | 536,480 | 893,341 |
| | | |
| TOTAL COMPREHENSIVE INCOME | | |
| FOR THE YEAR | 1,236,407 | 2,084,461 |
| Retained Profits at July 1 | 4,112,326 | 4,194,532 |
| | | |
| PROFIT AVAILABLE FOR | | |
| APPROPRIATION | 5,348,733 | 6,278,993 |
| Dividends | 2,207,693 | 2,166,667 |
| | | |
| RETAINED PROFITS | \$ 3,141,040 | \$ 4,112,326 |

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31ST MARCH 2017

| | NOTE | 2016 |
|--------------------------------------|-----------|-----------|
| INCOME | | |
| Gross Profit Trading | 4,953,525 | 5,262,620 |
| Interest Received | 6,135 | 7,427 |
| | <hr/> | <hr/> |
| TOTAL INCOME | 4,959,660 | 5,270,047 |
| EXPENSES | | |
| Accountancy | 5,250 | 5,840 |
| Advertising & Selling | 146,173 | 131,166 |
| Audit & Inspections | 7,383 | 6,421 |
| Bad Debts/(Recoveries) | - | (4,086) |
| Bank Charges | 1,089 | 1,056 |
| Cleaning | 4,260 | 3,600 |
| Consultants Fees | 62,813 | 19,825 |
| Computer Supplies | 5,920 | 8,995 |
| Depreciation | 22,647 | 16,737 |
| Donations | - | 9,800 |
| Electricity | 5,155 | 9,412 |
| Filing Fees | 492 | 243 |
| Freight & Cartage | 528,375 | 349,256 |
| Insurance | 45,912 | 27,491 |
| Interest | 6,294 | 2,621 |
| Legal Costs | - | 2,976 |
| Licences & Registrations | 472,815 | 126,753 |
| Motor Vehicle Expenses | 3,600 | 2,686 |
| Office Expenses | 5,737 | 4,224 |
| Payroll Tax | 30,317 | 20,876 |
| Printing & Stationery | 3,148 | 1,905 |
| Rent | 185,400 | 182,929 |
| Repairs & Maintenance | 11,958 | 1,125 |
| Salaries | 1,196,841 | 1,002,651 |
| Staff Recruitment&Amenities | 43,751 | 13,071 |
| Storage | 139,622 | 99,799 |
| Superannuation | 109,780 | 130,879 |
| Telephone & Internet | 15,826 | 13,380 |
| Testing Fees | 17,726 | 15,496 |
| Travelling Expenses | 30,319 | 26,640 |
| Warehouse Expenses | 78,170 | 58,478 |
| | <hr/> | <hr/> |
| TOTAL EXPENSES | 3,186,773 | 2,292,245 |
| OPERATING PROFIT BEFORE | | |
| INCOME TAX | 1,772,887 | 2,977,802 |
| Income Tax Expense | 536,480 | 893,341 |
| | <hr/> | <hr/> |
| OPERATING PROFIT FOR THE YEAR | 1,236,407 | 2,084,461 |

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31ST MARCH 2017

| | NOTE | 2016 |
|---|----------------|-----------|
| | <hr/> | <hr/> |
| OPERATING PROFIT AND EXTRAORDINARY ITEMS | 1,236,407 | 2,084,461 |
| Retained Profits at July 1 | 4,112,326 | 4,194,532 |
| | <hr/> | <hr/> |
| PROFIT AVAILABLE FOR APPROPRIATION | 5,348,733 | 6,278,993 |
| Dividends | | |
| Ordinary Dividend Paid | 2,207,693 | 2,166,667 |
| | <hr/> | <hr/> |
| RETAINED PROFITS | \$ 3,141,040\$ | 4,112,326 |
| | <hr/> | <hr/> |

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

TRADING ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2017

| | NOTE | 2016 |
|----------------------|--------------|--------------|
| Sales | 14,402,738 | 15,481,427 |
| LESS COST OF SALES | | |
| Opening Stock | 1,347,909 | 1,481,046 |
| Purchases | 11,141,479 | 9,910,017 |
| Foreign Exchange | (227,720) | 175,653 |
| | <hr/> | <hr/> |
| | 12,261,668 | 11,566,716 |
| Closing Stock | 2,812,455 | 1,347,909 |
| | <hr/> | <hr/> |
| | 9,449,213 | 10,218,807 |
| | <hr/> | <hr/> |
| TOTAL TRADING PROFIT | \$ 4,953,525 | \$ 5,262,620 |
| | <hr/> | <hr/> |

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

NOTE 1 - Statement of Significant Accounting Policies

Nova Pharmaceuticals Australasia Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

Basis of Preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements that have been prepared in order to meet the needs of members and to meet the requirements of the Corporations Act 2001. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report has been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Corporations Act 2001 and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period.

The financial statements have been prepared on an accruals basis and are based on historic costs and do not take into account changing money values. The amounts presented in the financial statements have been rounded to the nearest dollar.

The significant accounting policies that have been adopted in the preparation of the financial statements are as follows:

1) Income Tax

The income tax expense, if any, for the year comprises current income tax expense. Current income tax charged to the profit or loss is the tax payable on income calculated using applicable income tax rates applicable at the end of the reporting period.

2) Property, Plant & Equipment

All depreciable assets are depreciated over their useful lives of 3-7 years, using straight line basis. Depreciation commences from the time the asset is available for its intended use. The carrying amount is reviewed annually by directors to ensure it is not in excess of the recoverable amount.

3) Trade and Other Receivables

Trade receivables are measured at transaction price less any provision for impairment.

4) Inventories

The inventories held at the balance sheet date are measured at lower of cost and the net realisable value.

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

5) Provisions

Provisions are recognised when the company has a legal or constructive obligation, for which it is probable that an outflow of economic benefits will result. The provision is the best estimate of the amounts required to settle the obligation at the end of the reporting period.

6) Revenue

All revenue is stated net of, if any, goods and services tax. Revenue is measured at the value of the consideration received or receivable.

7) Leases

Lease payments for operating leases are recognised as expenses on a straight-line basis over the lease term.

8) Critical Accounting Estimates

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information.

The registered office and the principal place of business of the company is at Suite 305, 10 Norbrik Drive, Bella Vista, NSW, 2153.

2016

NOTE 2 - Cash

| | | |
|-------------------------------|-------------------|---------------------|
| Cash in Hand | 295 | 157 |
| Westpac Cheque account | 168,227 | 228,328 |
| Westpac Term Deposit | - | 38,258 |
| Westpac Maxi-Business account | 13 | 1,091,113 |
| USD account | 710 | 394,737 |
| | <u>\$ 169,245</u> | <u>\$ 1,752,593</u> |

NOTE 3 - Current

| | | |
|-----------------------|---------------------|---------------------|
| Trade Debtors | 2,419,937 | 2,260,974 |
| Income Tax Refund due | 250,153 | - |
| Prepayments | 11,584 | 25,354 |
| Payments-in-Advance | - | 322,636 |
| | <u>\$ 2,681,674</u> | <u>\$ 2,608,964</u> |

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

2016

NOTE 4 - Current

| | | |
|---------------|-------------------|-------------------|
| Stock on Hand | \$ 2,812,455 | \$ 1,347,909 |
| | <u> </u> | <u> </u> |

NOTE 5 - Non Current

| | | |
|---|---------------|---------------|
| Shares in Nova Pharmaceuticals Ltd-Wholly owned subsidiary | \$ 94 | \$ 94 |
| | <u> </u> | <u> </u> |

NOTE 6 - PROPERTY PLANT AND EQUIPMENT

| | | |
|------------------------------|-------------------|-------------------|
| Office Equipment - at Cost | 10,081 | 10,081 |
| Less Prov'n for Depreciation | 9,183 | 8,074 |
| | <u> </u> | <u> </u> |
| | 898 | 2,007 |
| Motor Vehicles - at Cost | 148,193 | 92,815 |
| Less Prov'n for Depreciation | 54,591 | 36,202 |
| | <u> </u> | <u> </u> |
| | 93,602 | 56,613 |
| Warehouse Equipment-at Cost | 30,000 | 30,000 |
| Less Prov'n for Depreciation | 7,959 | 4,810 |
| | <u> </u> | <u> </u> |
| | 22,041 | 25,190 |
| | <u> </u> | <u> </u> |
| | \$ 116,541 | \$ 83,810 |
| | <u> </u> | <u> </u> |

NOTE 7 - Current

| | | |
|---------------------|-------------------|-------------------|
| Credit Cards | - | 23,323 |
| Trade Creditors | 2,073,708 | 1,381,359 |
| Accrued Expenses | 47,946 | 72,938 |
| Directors' Loan-D&O | 517,165 | - |
| | <u> </u> | <u> </u> |
| | \$ 2,638,819 | \$ 1,477,620 |
| | <u> </u> | <u> </u> |

NOTE 8 - Current

| | | |
|--------------------------|---------------|-------------------|
| Provision for Income Tax | \$ - | \$ 203,273 |
| | <u> </u> | <u> </u> |

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD

A.C.N 104 838 440

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2017

| | 2017 | 2016 |
|---|-------------------|------------------|
| | \$ | \$ |
| Cashflows from Operating Activities: | | |
| Receipts from Customers | 14,243,775 | 15,092,124 |
| Payments to Suppliers & Employees | -14,081,058 | -12,412,953 |
| Interest Received | 6,135 | 7,427 |
| Interest Paid | -6,294 | -2,621 |
| Net Cash Provided by Operating Activities(per Note below): | <u>162,558</u> | <u>2,683,977</u> |
| Cashflows to Investing Activities: | | |
| Payments for Equipment | -55,378 | -1636 |
| Cashflows from Financing Activities | | |
| Directors Loan | 517,165 | |
| Dividends Paid | -2,207,693 | -2,166,667 |
| Net Increase in Cash | <u>-1,583,348</u> | <u>515,674</u> |
| Cash at the beginning of the financial year | <u>1,752,593</u> | <u>1,236,919</u> |
| Cash at the end of the financial year | <u>169,245</u> | <u>1,752,593</u> |
| Cash at the end of the Financial year: | | |
| Petty Cash | 295 | 157 |
| Main account | 168,227 | 228,328 |
| Term Deposit | 0 | 38,258 |
| USD account | 710 | 394,737 |
| Business account | <u>13</u> | <u>1,091,113</u> |
| Cash at the end of the financial year | <u>169,245</u> | <u>1,752,593</u> |

Note to the Statement of Cashflows

Reconciliation of Net Cash provided by Operating Activities to Profit for the financial year:

| | \$ | \$ |
|--|----------------|------------------|
| Profit after Income Tax | 1,236,407 | 2,084,461 |
| Depreciation & Amortisation | 22,647 | 16,737 |
| Increase in Inventory | -1,464,546 | 133,137 |
| Increase in Trade Creditors & Accruals | 644,034 | 1,073,960 |
| Decrease in Taxes Payable | -453,426 | 104,428 |
| Decrease in Trade Debtors & Prepayments | 177,442 | -728,746 |
| Net Cash provided by Operating Activities | <u>162,558</u> | <u>2,683,977</u> |