

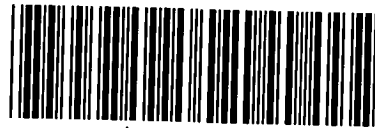
Albany Molecular Research Limited

**Directors' report and financial
statements**

Registered number 05045523

Year ended 31 December 2017

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Contents	Page
Company information	1
Strategic report	2
Directors' report	3
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	4
Independent auditor's report to the members of Albany Molecular Research Limited	5
Profit and Loss Account and Other Comprehensive Income	7
Balance Sheet	8
Statement in Changes in Equity	9
Notes to the financial statements	10

Company information

Directors

L M Henderson (Resigned 4th December 2017)
F Ladin (Resigned 4th December 2017)
C Froggatt (Appointed 30th June 2017)
P Feuerman (Appointed 4th December 2017)
S Somma (Appointed 4th December 2017)

Auditor

KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

Banker

Barclays
5 St Ann's Street
Quayside
Newcastle upon Tyne
NE1 3DX

Solicitor

DLA Piper UK LLP
Princes Exchange Princes Square
Leeds
LS1 4BY

Registered Office

First Floor
10 Temple Back
Bristol
BS1 6FL

Strategic report

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

Principal activities

The principal activity of the company during the year was the provision of a head office and management function to its subsidiary companies. These subsidiaries offer chemistry services and products to customers in the pharmaceutical, biotech and chemicals value chain.

Results and dividends

The profit for the year after taxation amounted to £5,443,288 (2016: £135,558). The directors do not recommend payment of a final ordinary dividend.

Business review

On 20th March 2017, Albany Molecular Research Inc (AMRI) transferred its ownership in Albany Molecular Research Hyderabad Research Centre Private Limited ("HRC") to Albany Molecular Research Limited ("AMR Ltd") in exchange for additional borrowings (Note 20) from the parent company (AMRI).

On 20th March 2017 Albany Molecular Research Mauritius Private Limited ("AMR Mauritius") transferred its ownership in HRC to AMR Ltd in exchange for a note ("Note 19") due to AMR Mauritius.

On 20th March 2017 AMRI Lux contributed Note 20 and USD equivalent of INR 3,524,215 to AMR Ltd in exchange for 1 share + share premium resulting in the extinguishment of Note 20.

On 20th March 2017 AMRI Lux contributed Note 19 (transferred to it by AMR Mauritius) to AMR Ltd in exchange for 1 share + share premium resulting in the extinguishment of Note 19.

Key performance indicators

The local management use a number of financial and non-financial indicators to measure the performance of the business. The main indicator being the level of financing income and expense shown below:

	31 December 2017	31 December 2016
	£	£
Interest receivable and similar income		
Intra group loan interest	6,425,874	3,025,603
Interest payable and similar charges		
Intra group loan interest	6,195,160	2,871,858

Principal Risks and Uncertainties

The principal risk facing the Company is that fellow group companies would be unable to repay loans when they fall due. To mitigate this risk the directors ensure the careful selection of investments and monitor the performance and financial status of those group companies on an ongoing basis.

Future Developments

The company continues to build on the sales growth by way of investment in its quality standards, people and equipment; and constantly reviewing and fine tuning the sales and operation strategies.

By order of the board,

C Froggatt
Director
First Floor
10 Temple Back
Bristol BS1 6FL
Date: 14/12/18



Directors' report

The directors present their directors' report and the audited financial statements for the financial year ended 31 December 2017.

Directors

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

L M Henderson (resigned 4th December 2017)
F Ladin (resigned 4th December 2017)
C Froggatt (appointed 30th June 2017)
P Feuerman (appointed 4th December 2017)
S Somma (appointed 4th December 2017)

Going concern

Based on the most recent projections and the expectations of on-going financing, the directors have prepared the financial statements on a going concern basis. This is explained further in note 1 to these financial statements.

Political and charitable contributions

During the year, the company made no charitable donations and no political contributions (2016: £nil).

Disclosure of information to the auditor

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board,

C Froggatt
Director



First Floor
10 Temple Back
Bristol BS1 6FL

Date: 14/8/18

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALBANY MOLECULAR RESEARCH LIMITED

Opinion

We have audited the financial statements of Albany Molecular Research Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALBANY MOLECULAR RESEARCH LIMITED *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

14 August 2018

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2017

	<i>Note</i>	31 December 2017 £	31 December 2016 £
Administrative (expenses) / income		(27,101)	15,800
Operating (loss) / profit	2	(27,101)	15,800
(Loss) / Profit on ordinary activities before interest and taxation		(27,101)	15,800
Income from investments	3	5,258,199	-
Interest receivable	4	6,425,874	3,025,603
Interest payable and similar charges	4	(6,195,160)	(2,871,858)
Profit before taxation		5,461,812	169,545
Tax on profit	5	(18,524)	(33,987)
Profit for the financial year		5,443,288	135,558
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		5,443,288	135,558

The notes on pages 10 to 15 form an integral part of these financial statements.

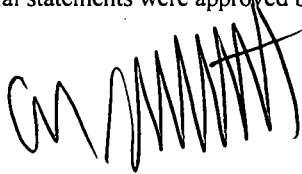
Balance Sheet
at 31 December 2017

	<i>Note</i>	31 December 2017 £	31 December 2016 £
Fixed assets			
Investment	6	295,485,233	228,515,661
Current assets			
Debtors	7	76,471,775	61,026,313
Creditors: amounts falling due within one year	8	(179,286,110)	(110,520,592)
Net assets		192,670,898	179,021,382
Capital and reserves			
Called up share capital	9	170,577,940	170,577,940
Share premium account		26,947,599	18,741,371
Profit and loss account		(4,854,641)	(10,297,929)
Shareholders' funds		192,670,898	179,021,382

The notes on pages 10 to 15 form part of the financial statements.

These financial statements were approved by the board of directors on 14/8/15 and were signed on its behalf by:

C Froggatt
Director



Statement in Changes in Equity
At 31 December 2017

	Called up share capital £	Share Premium Account £	Profit and loss account £	Total Equity £
Balance at 1 January 2016	47,311,565	349,000	(10,433,487)	37,227,078
Total comprehensive income for the period				
Profit for the year	-	-	135,558	135,558
Total comprehensive income for the period	-	-	135,558	135,558
Issue equity	123,266,375	18,392,371	-	141,658,746
Total contributions by and distributions to owners	170,577,940	18,741,371	(10,297,929)	179,021,382
Balance at 31 December 2016	170,577,940	18,741,371	(10,297,929)	179,021,382

	Called up share capital £	Share Premium Account £	Profit and loss account £	Total Equity £
Balance at 1 January 2017	170,577,940	18,741,371	(10,297,929)	179,021,382
Total comprehensive income for the period				
Profit for the year	-	-	5,443,288	5,443,288
Total comprehensive income for the period	-	-	5,443,288	5,443,288
Issue equity	-	8,206,228	-	8,206,228
Total contributions by and distributions to owners	-	8,206,228	-	8,206,228
Balance at 31 December 2017	170,577,940	26,947,599	(4,854,641)	192,670,898

Notes

(forming part of the financial statements)

1 Accounting policies

Albany Molecular Research Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered number is 05045523 and the registered address is shown on page 1.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling.

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Exemptions

In these financial statements, the company is considered a qualifying entity (for the purpose of this FRS) and has applied the exemptions available under FRS102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of preparation

The accounts have been prepared on the going concern basis as the company's ultimate parent undertaking, Albany Molecular Research Incorporated has undertaken to provide continuing financial support.

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Deferred tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes (continued)

2 Operating Profit/(loss)

This is stated after crediting:

	31 December 2017 £	31 December 2016 £
Foreign currency gain	-	(17,018)

3 Income from Investments

	31 December 2017 £	31 December 2016 £
Dividends receivable	5,258,199	-

On 12th July 2017, Albany Molecular Research (Glasgow) Limited, declared a dividend in the amount of £5,258,199 to the company's sole member and parent company, Albany Molecular Research Limited ("AMRL") in the aggregate of £5,258,199 comprising of:

(i) a 5% cumulative preference dividend in the amount of €79,847 being the equivalent of £71,012 based upon the exchange rate of £1:€0.889344 (the "Preference Dividend") to be paid to AMRL as the registered holder of 58,288,405 5% cumulative redeemable preference shares of €1 each in the share capital of the Company; and

(ii) an ordinary dividend in the amount of £5,187,187 (the "Ordinary Dividend") to be paid to AMRL as the registered holder of 12,606,610,772 ordinary shares of £0.01 each in the share capital of the Company.

4 Interest

	31 December 2017 £	31 December 2016 £
Interest receivable and similar income		
Intra group loan interest	6,425,874	3,025,603
Interest payable and similar charges		
Intra group loan interest	6,195,160	2,871,858

Interest in period relates to group loans as part of the acquisition of Gadea Grupo Farmaceutico S.L. and Evergreen S.r.l

Notes (continued)

5 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity:

	2017 £000	2016 £000
<i>Current tax</i>		
Current tax on income for the period	39,196	20,672
Adjustments in respect of prior periods	(20,672)	13,315
	<hr/>	<hr/>
Total current tax	18,524	33,987
	<hr/>	<hr/>
Total deferred tax	-	-
	<hr/>	<hr/>
Total tax	<u>18,524</u>	<u>33,987</u>

(a) Reconciliation of effective tax rate

The tax assessed on the loss on ordinary activities for the period is higher (2016: *higher*) than the standard rate of corporate tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	31 December 2017 £	31 December 2016 £
<i>Reconciliation of effective tax rate</i>		
Profit / (Loss) on ordinary activities before tax	5,461,812	169,545
	<hr/>	<hr/>
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%).	1,051,399	33,909
	<hr/>	<hr/>
<i>Effects of:</i>		
Disallowed expenses and non-taxable income	(1,012,203)	(13,237)
Adjustment from prior period	(20,672)	13,315
	<hr/>	<hr/>
Tax expense included in profit or loss	<u>18,524</u>	<u>33,987</u>

(b) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2016) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2016 and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 15 September 2017. This will reduce the company's future current tax charge accordingly.

Notes (continued)

6 Fixed asset investments

	Albany Molecular Research (Glasgow) Limited	Albany Molecular Research Hyderabad Research	Albany Molecular Research (UK) Ltd	Exirisk Spain, S.L.U.	Other investments other than loans	Total
Shareholder %	100%	100%	100%	100%		
Address	Todd Campus, West of Scotland Science Park, Acre Road, Glasgow, G200XA	3-6369/A/18, 2ND Floor, Svskl Mansions, Street NO 1, Hyderabad, Telangana 500029	First Floor 10 Temple Back Bristol BS1 6FL	Num. 3 Planta9, Puerta D 28036 Madrid		
	£	£	£	£	£	£
Cost and net book value						
At 31 December 2016	141,657,529	-	3,354,888	33,806,425	49,696,819	228,515,661
Additions	-	8,206,228	-	5,258,198	53,505,146	66,969,572
At 31 December 2017	141,657,529	8,206,228	3,354,888	39,064,623	103,201,965	295,485,233

On 20th March 2017, AMRI transferred its ownership in Albany Molecular Research Hyderabad Research Centre Private Limited ("HRC") to Albany Molecular Research Limited ("AMR Ltd") in exchange for additional borrowings (Note 20) from the parent company (AMRI), with a value of USD 787,482 (or £636,802).

On 20th March 2017, Albany Molecular Research Mauritius Private Limited ("AMR Mauritius") transferred its ownership in HRC to AMR Ltd in exchange for a note ("Note 19") due to AMR Mauritius with a value of USD 9,306,627 (or £7,525,859).

On 20th March 2017, AMRI Lux contributes Note 20 and USD equivalent of INR 3,524,215 (equivalent to £43,566) to AMR Ltd in exchange for 1 share +share premium resulting in the extinguishment of Note 20.

On 20th March 2017, AMRI Lux contributes Note 19 (transferred to it by AMR Mauritius) with a value of USD 9,306,627 (or £7,525,859) to AMR Ltd in exchange for 1 share + share premium resulting in the extinguishment of Note 19.

On 12th July 2017, AMR Limited increased its interest in the shares of Albany Molecular Research Spain S.L.U. by €5,912,446 (equivalent to £5,258,198) as partial settlement of €2,858,761 (or £2,542,422) of the loan due from Albany Molecular Research Spain S.L.U. and full payment of the accrued interest on the same loan €3,053,685 (or £2,715,776).

Included in other investments is an amount of €116,237,715 owed by Albany Molecular Research (Glasgow) Limited in respect of 5% cumulative preference shares, which includes €57,949,310 which was issued to Albany Molecular Research (Glasgow) Limited on 4th August 2017.

The holders of the Preference Shares shall be entitled in priority to the holders of the Ordinary Shares in the capital of the Company to receive a cumulative 5% preferential cash dividend.

Albany Molecular Research (Glasgow) Limited has the right to redeem the whole or part of the preference shares not less than one week's notice in writing and no later than 31 December 2050.

Notes (continued)

7 Debtors

	31 December 2017	31 December 2016
	£	£
Amounts owed by group undertakings	76,471,775	61,026,313

Amounts owed by group undertakings include an amount owed by Albany Molecular Research Spain s.L.U. of €82,317,632 which is unsecured and repayable on demand. The interest rates are mixed range from 1%-5% pa.

8 Creditors: amounts falling due within one year

	31 December 2017	31 December 2016
	£	£
Amounts payable to group undertakings	179,253,586	110,486,605
Corporation tax payable	18,524	33,987
Accrued expenses	14,000	-
	179,286,110	110,520,592

Amounts owed to group undertakings include two loan notes due to Albany Molecular Luxembourg S.a.r.l. which are unsecured and repayable on demand. The amount payable on the first loan note is €63,557,272 and interest is at the rate of 4.75% p.a. The amount due on the second loan note is €61,282,672 and interest is at the rate of 5% pa.

9 Called up share capital

	31 December 2017	31 December 2016
	£	£
<i>Allotted, called up and fully paid</i> 1,705,779,400 (2016: 1,705,779,400) Ordinary shares of £ 0.10 each	170,577,940	170,577,940

10 Related party transactions

The directors have taken advantage of the exemption in FRS 102 Chapter 33.1A and, as the Company is a wholly owned subsidiary of Albany Molecular Research Inc., have not disclosed related party transactions with parent and fellow subsidiary undertakings.

11 Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party is Albany Molecular Research Incorporated, which is incorporated in the United States of America. On 31st August 2017, Albany Molecular Research Incorporated was acquired by affiliates of The Carlyle Group and affiliates of GTCR LLC.

Copies of the financial statements for Albany Molecular Research Incorporated are available from its registered office: 26 Corporate Circle, Albany, NY.