

Albany Molecular Research Limited

**Directors' report and financial
statements**

Registered number 05045523

Year ended 31 December 2016

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Company information

Directors

L M Henderson
F Ladin
C Froggatt (Appointed 30th June 2017)

Auditor

KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

Bankers

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

Solicitors

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

Registered Office

Mostyn Road
Holywell
Flintshire
CH8 9DN

Strategic report

The directors present their annual strategic report and the audited financial statements for the financial year ended 31 December 2016.

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 £135,558 (2015: loss £2,003,375). The directors do not recommend payment of a final ordinary dividend.

Business review

On 11th July 2016, the Company acquired all the shares in Albany Molecular Research (Glasgow) Limited, in exchange for shares issued to the parent company Albany Molecular Research Luxembourg S.a.r.l.

On 11th July 2016, Albany Molecular Research Inc. (the ultimate parent company) acquired Prime European Therapeutics S.p.A., also known as 'Euticals', a privately-held company headquartered in Italy for €315m. The acquisition involved a restructure of the Group resulting in the issue of Ordinary shares by the Company, the acquisition of Preference shares in Albany Molecular Research (Glasgow) Limited and additional borrowings from the parent company. The results for the Company will reflect the transaction of interest payable and receivable between the respective parties.

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 2016 £	31 December 2015 £
Interest receivable and similar income		
Intra group loan interest	3,025,603	1,300,018
Interest payable and similar charges		
Intra group loan interest	2,871,858	1,235,017

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



Mostyn Road
Holywell
Flintshire, CH8 9DN

Date: 27 September 2017

Directors' report

The directors present their directors' report and the audited financial statements for the financial year ended 31 December 2016.

Directors

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

L M Henderson
F Ladin

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 (2015: £nil).

Disclosure of information to the auditor

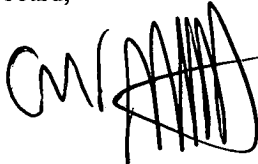
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make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



Mostyn Road
Holywell
Flintshire
CH8 9DN

Date: 27 September 2017

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

319 St Vincent Street
Glasgow
G2 5AS
United Kingdom

Independent auditor's report to the members of Albany Molecular Research Limited

We have audited the financial statements of Albany Molecular Research Limited for the year ended 31 December 2016 set out on pages 7 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' report:

- we have not identified material misstatements in these reports; and
- in our opinion, these reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Albany Molecular Research Limited
(continued)

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.

Gordon Herbertson

27 September 2017

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

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2016

	<i>Note</i>	31 December 2016 £	31 December 2015 £
Administrative income		15,800	764
Operating profit	2	15,800	764
Exceptional item - Write down of Investment in Exirisk S.L.U.	3	-	(2,069,140)
Profit/(loss) on ordinary activities before interest and taxation		15,800	(2,068,376)
Interest receivable	4	3,025,603	1,300,018
Interest payable and similar charges	4	(2,871,858)	(1,235,017)
Profit/(loss) before taxation		169,545	(2,003,375)
Tax on profit	5	(33,987)	-
Profit/(loss) for the financial year		135,558	(2,003,375)
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		135,558	(2,003,375)

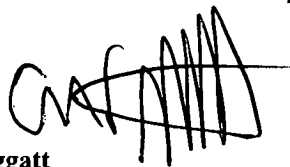
The notes on pages 10 to 15 form an integral part of these financial statements.

Balance Sheet
at 31 December 2016

	<i>Note</i>	31 December 2016 £	31 December 2015 £
Fixed assets			
Investment	6	228,515,661	37,161,313
Current assets			
Debtors	7	61,026,313	58,129,625
Creditors: amounts falling due within one year	8	(110,520,592)	(58,063,860)
Net assets		179,021,382	37,227,078
Capital and reserves			
Called up share capital	9	170,577,940	47,311,565
Share premium account		18,741,371	349,000
Profit and loss account		(10,297,929)	(10,433,487)
Shareholders' funds		179,021,382	37,227,078

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

These financial statements were approved by the board of directors on _____ and were signed on its behalf by:
27 September 2017



C Froggatt
Director

Statement in Changes in Equity
At 31 December 2016

	Called up share capital £	Share Premium Account £	Profit and loss account £	Total Equity £
Balance at 1 January 2015	11,436,000	349,000	(8,430,112)	3,354,888
Total comprehensive income for the period				
Loss for the year	-	-	(2,003,375)	(2,003,375)
Total comprehensive income for the period	-	-	(2,003,375)	(2,003,375)
Transactions with owners, recorded directly in equity				
Issue equity	35,875,565	-	-	35,875,565
Total contributions by and distributions to owners	35,875,565	-	-	35,875,565
Balance at 31 December 2015	47,311,565	349,000	(10,433,487)	37,227,078

	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
Transactions with owners, recorded directly in equity				
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

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 2016 £	31 December 2015 £
Foreign currency gain	(17,018)	(764)

3 Exceptional items

	31 December 2016 £	31 December 2015 £
Write down of Investment in Exirisk S.L.U	-	(2,069,140)

Adjustment relating to reduce the carrying value to the net realisable value.

4 Interest

	31 December 2016 £	31 December 2015 £
Interest receivable and similar income		
Intra group loan interest	3,025,603	1,300,018
Interest payable and similar charges		
Intra group loan interest	2,871,858	1,235,017

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

	2016 £000	2015 £000
<i>Current tax</i>		
Current tax on income for the period	20,672	-
Adjustments in respect of prior periods	13,315	
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Total current tax	33,987	-
Total deferred tax	-	-
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Total tax	33,987	-
	<hr/> <hr/>	<hr/> <hr/>

(a) Reconciliation of effective tax rate

The tax assessed on the loss on ordinary activities for the period is higher (2015: lower) than the standard rate of corporate tax in the UK of 20% (2015: 20.25%). The differences are reconciled below:

	31 December 2016 £	31 December 2015 £
<i>Reconciliation of effective tax rate</i>		
Profit / (Loss) on ordinary activities before tax	169,545	(2,003,375)
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%).	33,909	(405,683)
<i>Effects of:</i>		
Disallowed expenses and non-taxable income	(13,237)	419,001
Adjustment from prior period	13,315	-
(Utilised)/unrelieved tax losses and other deductions in the period	-	(13,318)
Tax expense included in profit or loss	33,987	-

(b) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) 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 2015 and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Notes (continued)

6 Fixed asset investments

	Albany Molecular Research (Glasgow) Limited	Evergreen S.r.l	Albany Molecular Research (UK) Ltd	Exirisk Spain, S.L.U.	Other investments other than loans	Total
	£	£	£	£	£	£
Cost and net book value						
At 31 December 2015	-	-	3,354,888	33,806,425	-	37,161,313
Additions	141,657,529	123,265,157	-	-	49,696,819	314,619,505
Disposal	-	(123,265,157)	-	-	-	(123,265,157)
Impairment losses	-	-	-	-	-	-
At 31 December 2016	141,657,529	-	3,354,888	33,806,425	49,696,819	228,515,661

On 11th July 2016 the Company issued 1 Ordinary share to the immediate parent company, Albany Molecular Luxembourg S.a.r.l. for a consideration of £18,392,371.12 in exchange for all the shares in Albany Molecular Research (Glasgow) Limited.

On 11th July 2016, Albany Molecular Research Inc (the ultimate parent company) acquired Prime European Therapeutics S.p.A., also known as 'Euticals', a privately-held company headquartered in Italy. The post- 'Euticals' acquisition restructuring on 21st December 2016 involved Albany Molecular Luxembourg S.a.r.l contributing Evergreen S.r.l. to the Company in exchange for shares for €146,354,827.

On the same day Evergreen S.r.l. was transferred from the Company to Albany Molecular Research (Glasgow) Limited for £123,265,157 with Albany Molecular Research (Glasgow) Limited issuing 1,232,651,577 shares of £0.10 each.

Also included is an amount of \$58,288,405 owed by Albany Molecular Research (Glasgow) Limited in respect of 5% cumulative preference shares. 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.

7 Debtors

	31 December 2016 £	31 December 2015 £
Amounts owed by group undertakings	61,026,313	58,129,625

Amounts owed by group undertakings include an amount owed by Albany Molecular Research Spain s.L.U. of €71,496,696 which is unsecured and repayable on demand. The interest rate is at 5% pa.

Notes *(continued)*

8 Creditors: amounts falling due within one year

	31 December 2016 £	31 December 2015 £
Amounts payable to group undertakings	110,486,605	58,063,860
Corporation tax payable	33,987	-
	110,520,592	58,063,860

Amounts owed to group undertakings include 2 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 €71,219,277 and interest is at the rate of 4.75% p.a. The amount due on the second loan note is €58,368,252 and interest is at the rate of 5% pa.

9 Called up share capital

	31 December 2016 £	31 December 2015 £
<i>Allotted, called up and fully paid</i>		
1,705,779,400 (2015: 473,115,650) Ordinary shares of £ 0.10 each	170,577,940	47,311,565

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, a NASDAQ quoted company, which is incorporated in the United States of America. Copies of the financial statements for Albany Molecular Research Incorporated are available from its registered office: 26 Corporate Circle, Albany, NY.