

Company Registration No.4217656

Summit Pharmaceuticals Europe Limited

Report and Financial Statements

31 March 2016

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Summit Pharmaceuticals Europe Limited

Report and financial statements 2016

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Summit Pharmaceuticals Europe Limited

Strategic report

The directors present the strategic report for the year ended 31 March 2016.

Principal activities

The company trades in pharmaceutical and cosmetic products, selling to the United Kingdom, European and other markets. The company is based in London and has branches in Milan, Madrid and Dusseldorf.

Apart from the below there have not been any significant changes in the company's principal activities in the year under review.

Business review

On 1 May 2015 the company entered into an asset purchase agreement with Kyowa Hakko Europe GmbH to purchase the inventory of its cosmetics business and to transfer its associated personnel into the company. The business is centred in Germany and the company opened a new branch in Dusseldorf to facilitate this operation.

For the year ended 31 March 2016, the company made a profit after tax of €608,000 (2015: €178,000). Turnover increased to €6,734,000 (2015: €4,409,000) and Operating Profit increased to €957,000 (2015: €363,000) due to increase in business activities.

The balance sheet shows net assets of €3,715,000 (2015: €3,316,000). Net current assets have increased to €3,908,000 (2015: €3,656,000) in the current year. For detailed breakdowns of current assets and liabilities please see notes 13-19.

Sumitomo Corporation manages its operations in Europe on a regional basis. For this reason, the company's directors believe that key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the European division of Sumitomo Corporation, which includes this company, is discussed in the global group's Annual Report which does not form part of this report.

Principal risks and uncertainties

Competitive pressures in the European operating environment provide a continuing risk to the company, which could result in loss of business to its competitors. The key factor for the company in managing this risk is to maintain and enhance the close relationships with its customers and suppliers.

Foreign exchange risk

The company operates in a multi-currency environment and is therefore exposed to currency risks arising from the movement between its principal trading currencies of US Dollar, GBP and Japanese Yen and its reporting currency Euro. The company manages these risks by entering into forward exchange contracts through its parent company, Sumitomo Corporation Europe Limited.

Liquidity and Cash risk

To manage cash and liquidity the company operates a central pooling of bank balances of all of its branches across Europe to the Head Office. Cash and liquidity is managed in conjunction with its fellow group company, Sumitomo Corporation Europe Limited, based in London, England.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Summit Pharmaceuticals Europe Limited

Strategic report

The company places a high importance on risk management and in ensuring that the company's customers and vendors have a sound financial base. The current economic problems in the financial and commodity markets have not led to an increase in the bad debts incurred by the company.

Price risk

The company monitors changes in commodity prices on a continual basis to ensure that the company maintains control over its gross trading profit and inventory value.



Bin Haga
Director
21 June 2016

Vintners' Place
68 Upper Thames Street
London EC4V 3BJ

Summit Pharmaceuticals Europe Limited

Directors' report

The directors present the Directors' report for the year ended 31 March 2016.

Financial instruments

The company does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

The company is a party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the company's principal markets.

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

The company participates in the group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters. Employees are consulted regularly on a wide range of matters affecting their interests.

The company is committed to giving full and fair consideration to applications for employment from people with disabilities and to continuing the employment of staff who become disabled and arranging appropriate training to achieve this.

Dividends

The company paid a dividend in the year of €209,000 / €0.13 per share (2015: € 592,000 / €0.37).

Directors

The directors who held office during the year and up to the date of signing are as follows:

B Haga (appointed 1 April 2016)
M Higashikawa
T Horimoto (resigned 1 June 2016)
K Nakamura
Y Okura
T Suto (appointed 1 June 2016)
K Tamefusa (resigned 1 April 2016)
Y Terawaki

Directors' indemnities

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the U.K. Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Political contributions

The Company made no political donations during the year (2015: nil).

Summit Pharmaceuticals Europe Limited

Directors' report

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/ 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 auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Bin Haga
Director
21 June 2016

Vintners' Place
68 Upper Thames Street
London EC4V 3BJ

Summit Pharmaceuticals Europe Limited

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 101 *Reduced Disclosure Framework*.

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.

Independent auditor's report to the members of Summit Pharmaceuticals Europe Limited

We have audited the financial statements of Summit Pharmaceuticals Europe Limited for the year ended 31 March 2016 set out on pages 7 to 27. 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 101 *Reduced Disclosure Framework*.

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 5, 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 March 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.

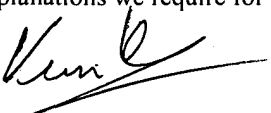
Opinion on other matter prescribed by the Companies Act 2006

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.

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.


Kevin Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom

21 June 2016

Summit Pharmaceuticals Europe Limited

Profit and loss account and Other Comprehensive Income for the Year ended 31 March 2016

	Note	2016 €'000	2015 €'000
Turnover	2	6,734	4,409
Administrative expenses		(5,777)	(4,046)
Operating profit		<u>957</u>	<u>363</u>
Interest receivable and similar income	7	31	3
Interest payable and similar charges	8	(53)	(5)
Profit on ordinary activities before taxation		<u>935</u>	<u>361</u>
Tax on profit on ordinary activities	9	(327)	(183)
Profit for the financial year		<u>608</u>	<u>178</u>
Other Comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>608</u></u>	<u><u>178</u></u>

The results are derived entirely from continuing operations.

The company also undertakes transactions which in substance are agency and not principal. The value of these transactions amounted to €54,863,000 (2015: €32,449,000) gross turnover. The net value of these transactions is included as Turnover above.

The notes on pages 10 to 27 form an integral part of the financial statements.

Summit Pharmaceuticals Europe Limited

Statement of changes in equity 31 March 2016

	Called up share capital	Profit & loss	Total
Balance brought forward 1 April 2014	2,399	1,331	3,730
Profit retained for year	-	178	178
Dividend paid	-	(592)	(592)
	<hr/>	<hr/>	<hr/>
Balance carried forward 31 March 2015	2,399	917	3,316
	<hr/>	<hr/>	<hr/>
Balance brought forward 1 April 2015	2,399	917	3,316
Profit retained for year	-	608	608
Dividend paid	-	(209)	(209)
	<hr/>	<hr/>	<hr/>
Balance carried forward 31 March 2016	2,399	1,316	3,715
	<hr/>	<hr/>	<hr/>

The notes on pages 10 to 27 form an intergral part of the financial statements.

Summit Pharmaceuticals Europe Limited

Balance sheet As at 31 March 2016

	Note	2016 €'000	€'000	2015 €'000	€'000
Fixed assets					
Tangible fixed assets	10	133		65	
Intangible assets	11	112		-	
Investments	12	10		10	
			255		75
Current assets					
Stocks	13	4,609		253	
Debtors	14	12,294		11,383	
Derivative Assets	19	115		55	
Cash at bank and in hand		9		19	
		17,027		11,710	
Creditors: amounts falling due within one year					
Trade creditors	15	5,510		5,294	
Amounts owed to group undertakings	15	5,275		2,119	
Derivative Liabilities	19	113		21	
Other creditors including taxation and social security	15	2,221		620	
		13,119		8,054	
Net current assets			3,908		3,656
Total assets less current liabilities			4,163		3,731
Provision for liabilities	16		448		415
Net assets			3,715		3,316
Capital and reserves					
Called up share capital	20		2,399		2,399
Profit and loss account			1,316		917
Shareholders' funds			3,715		3,316

The notes on pages 10 to 27 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 21 June 2016.

Signed on behalf of the Board of Directors


Bin Haga
Director

Company registered number 4217656

Summit Pharmaceuticals Europe Limited

Notes to the accounts

(forming part of the financial statements)

1. Accounting policies

Summit Pharmaceuticals Europe Limited (the “Company”) is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set up below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company’s ultimate parent undertaking, Sumitomo Corporation, includes the Company in its consolidated financial statements. The consolidated financial statements of Sumitomo Corporation are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 8-11 Harumi, 1-chome, Chuo-ku, Tokyo, Japan.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Sumitomo Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company;
- in respect of the cash flows of discontinued operations;
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

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

Summit Pharmaceuticals Europe Limited

Notes to the accounts

(forming part of the financial statements)

1. Accounting policies (continued)

Going concern

The company manages its cash position in conjunction with its ultimate parent company, Sumitomo Corporation, based in Tokyo, Japan, and has access to group finance via bank facilities and the Medium Term Note and Euro Commercial Paper programs operated by a wholly owned subsidiary entity of the Group. All these facilities or programs fall due for renewal or update within the next twelve months but the directors consider that the financial strength and stability of the overall Sumitomo Corporation group means sufficient funding will be available to enable the company to meet its liabilities for the foreseeable future

Measurement convention

The financial statements are prepared on the historical cost and going concern basis except for the following:

- derivative financial instruments are measured at fair value in the profit and loss
- other investments are measured at fair value through equity

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Plant and machinery, fixtures and fittings	Over a period between 3 and 10 years
--	--------------------------------------

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible fixed assets

Intangible fixed asset are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation methods, useful lives and residual values are reviewed at each balance sheet date.

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of intangible fixed assets. The estimated useful lives are as follows:

Software	Over a period between 5 and 10 years
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Stocks

Stocks are stated at cost less any provision required to reduce carrying amount to net realisable value. Cost represents invoiced price together with, as appropriate, directly related overheads.

Summit Pharmaceuticals Europe Limited

Notes to the accounts *(forming part of the financial statements)*

1. Accounting policies (continued)

Turnover

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Turnover represents the gross sales value achieved by the company when acting as a principal together with commissions and service fees receivable. The factors which determine whether a transaction is recorded as gross or net include who carries the risk of inventory or credit risk; who fixes the contract price and product specification; whether there is payment of fixed commission to the company. The gross contract values where the company does not act as a principal are excluded from turnover and cost of sales to reflect the substance of these transactions.

Sales of goods are recognised when goods are delivered and title has passed.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Summit Pharmaceuticals Europe Limited

Notes to the accounts (forming part of the financial statements)

1. Accounting policies (continued)

Business Combinations

All unincorporated business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the company.

The company measures goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition

Financial Instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables, including balances held with group companies, are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. All transactions are recognised on their transaction date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank balances and cash comprise time deposits with an original term of three months or less and interest is calculated by reference to Libor. The carrying amounts represent their fair value. As such no disclosure of fair value is required. All transactions are recognised on their transaction date.

Summit Pharmaceuticals Europe Limited

Notes to the accounts (forming part of the financial statements)

1. Accounting policies (continued)

Financial liabilities and equity

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the profit and loss account using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. All transactions are recognised on their transaction date.

Trade payables

Trade payables, including balances held with group companies, are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. All transactions are recognised on their transaction date.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Summit Pharmaceuticals Europe Limited

Notes to the accounts *(forming part of the financial statements)*

1. Accounting policies (continued)

Foreign currencies

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The results of overseas operations with different functional currencies are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and the results of overseas operations are reported in the statement of total recognised gains and losses.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss account for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Derivatives

The company uses derivative financial instruments such as foreign exchange forward contracts and commodity swaps to hedge its risk associated with foreign exchange fluctuations and commodity price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value, through the profit and loss account. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Pension costs

The company operates a group personal pension plan and contributes on a monthly basis to the individuals' personal pension plans. These contributions are charged against the profits of the year in which they become payable. For the branch in Milan, Italy, the company maintains a Trattament Fine Rapporto (TFR).

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

Related parties

As a wholly-owned subsidiary of the ultimate parent, the company has taken advantage of the disclosure exemptions in FRS 101 sub-paragraphs 8 (j) and 8(k) and therefore has not disclosed details in these financial statements of transactions with companies wholly owned within the Sumitomo Corporation group.

Summit Pharmaceuticals Europe Limited

Notes to the accounts *(forming part of the financial statements)*

1. Accounting policies (continued)

Cash flow statement

The company has not prepared a cash flow statement as allowed by FRS 101 sub-paragraph 8(h) on the basis that the ultimate parent company produces consolidated accounts, which include a cash flow statement, into which the company's accounts are fully consolidated.

2. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts, value added tax and other sales related taxes. The turnover is attributable to one activity, the trading of pharmaceutical products. In the opinion of the directors, it is seriously prejudicial to the interests of the company and not meaningful to give an analysis of turnover/revenue by geographical area.

The gross value of trades where the company acts as an agent during the year is €54,863,000 (2015: €32,449,000), with associated cost of sales €48,129,000 (2014: €28,040,000).

Summit Pharmaceuticals Europe Limited

Notes to the accounts (forming part of the financial statements)

3. Acquisitions of businesses

Acquisitions in the current period

On 01st May 2015, the Company acquired 100% of Kyowa Hakko Euro Gmbh's cosmetics business for €5,087,811.

In the 11 months to March 2016 the business contributed sales revenue of €15,667,854 and net profit of €11,177 to the revenue and net profit for the year.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities.

	Recognised values on acquisition €000
Acquiree's net assets at the acquisition date:	
Stocks	5,088
Net identifiable assets and liabilities	5,088
Cash consideration paid:	5,088
Total consideration	5,088
Goodwill/Negative goodwill on acquisition	-

Summit Pharmaceuticals Europe Limited

Notes to the accounts (forming part of the financial statements)

4. Expenses and auditor's remuneration

	2016 €'000	2015 €'000
Included in profit/loss are the following:		
Depreciation/Amortisation and other amounts written off tangible and intangible fixed assets: Own assets (see note 10 and 11)	62	42
Gain (Loss) on foreign exchange translation	(87)	(92)
	<u> </u>	<u> </u>
Auditor's remuneration:		
Audit of these financial statements	134	74
	<u> </u>	<u> </u>

5. Staff numbers and costs

	2016 No.	2015 No.
Average number of persons employed (including directors) analysed by category:		
Sales and administration	29	18
	<u> </u>	<u> </u>
	2016 €'000	2015 €'000
Employee costs during the year (including directors)		
Wages and salaries	2,611	1,780
Social security costs	357	364
Other pension costs	88	85
	<u> </u>	<u> </u>
	<u>3,056</u>	<u>2,229</u>

Summit Pharmaceuticals Europe Limited

Notes to the accounts (forming part of the financial statements)

6. Directors' remuneration

	2016 €'000	2015 €'000 (Restated)
Directors' Emoluments	<u>599</u>	<u>634</u>
No pension contributions were made in respect of Directors (2014: nil).		
Remuneration of highest paid director	<u>317</u>	<u>262</u>

The restatement of 2015 directors' emoluments figure (2015: €212,000) and the remuneration of the highest paid director (2015: €199,000) is in line with the full directors salary posted in the profit and loss because last year's figure did not include social security, bonus and other benefits in kind.

Directors do not have share options and did not receive awards during the year in the form of shares under long-term incentive schemes (2015: nil). Directors' pensions are borne by the ultimate parent company.

7. Interest receivable and similar income

	2016 €'000	2015 €'000
Interest receivable from group companies	<u>31</u>	<u>3</u>

8. Interest payable and similar charges

	2016 €'000	2015 €'000
Interest payable to group companies	<u>53</u>	<u>5</u>

Summit Pharmaceuticals Europe Limited

Notes to the accounts (forming part of the financial statements)

9. Tax on profit on ordinary activities

(a) Recognised in the profit and loss account

	2016 €'000	2015 €'000
Current tax:		
UK corporation tax on profits of the period	-	10
Adjustments in respect of prior years	-	3
	<u> </u>	<u> </u>
		13
Foreign tax	297	139
Adjustments in respect of prior years	30	31
	<u> </u>	<u> </u>
	327	170
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	<u> </u> <u> </u>	<u> </u> <u> </u>

(b) Reconciliation of effective tax rate

	2016 €'000	2015 €'000
Profit for the financial year	608	178
Total tax expense	327	183
	<u> </u>	<u> </u>
Profit on ordinary activities before tax	935	361
Tax using the UK corporation tax rate of 20% (2014: 21%)	187	76
Effects of:		
Expenses not deductible for tax purposes	(8)	31
Higher rates of tax on overseas earnings	118	42
Adjustments to tax charge in respect to previous periods	30	34
	<u> </u>	<u> </u>
Total tax expense	<u> </u> <u> </u>	<u> </u> <u> </u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 20% (2015: 21%).

Summit Pharmaceuticals Europe Limited

Notes to the accounts

(forming part of the financial statements)

9. Tax on profit on ordinary activities (continued)

(c) Factors affecting the tax charge for future periods

Reductions in the UK corporation tax rate to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% from 1 April 2017 then 18% from 1 April 2020 were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

10. Tangible fixed assets

	Buildings	Plant and machinery	Fixtures and fittings	Total
	€'000	€'000	€'000	€'000
Cost				
Balance at 1 April 2015	101	91	68	260
Additions	-	65	44	109
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	101	156	112	369
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
Balance at 1 April 2015	77	72	46	195
Depreciation charge for the year	17	9	15	41
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	94	81	61	236
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 1 April 2015	24	19	22	65
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	7	75	51	133
	<hr/>	<hr/>	<hr/>	<hr/>

Summit Pharmaceuticals Europe Limited

Notes to the accounts (forming part of the financial statements)

11. Intangible assets

	Software	Total
	€'000	€'000
Cost		
Balance at 1 April 2015	63	63
Additions	133	133
	<hr/>	<hr/>
Balance at 31 March 2016	196	196
	<hr/>	<hr/>
Accumulated Amortisation		
Balance at 1 April 2015	63	63
Amortisation charge for the year	21	21
	<hr/>	<hr/>
Balance at 31 March 2016	84	84
	<hr/>	<hr/>
Net book value		
At 1 April 2015	-	-
	<hr/>	<hr/>
At 31 March 2016	112	112
	<hr/>	<hr/>

12. Investments held as Fixed Assets

	2016	2015
	Participating	Participating
	interests	interests
	€'000	€'000
Net book value	10	10
	<hr/>	<hr/>

The company holds one share (0.2%) in Immobiliare Golf Castel Conturbia SpA, a sports leisure company located in Agrate Conturbia, Novara, Italy.

Summit Pharmaceuticals Europe Limited

Notes to the accounts (forming part of the financial statements)

13. Stocks

	2016 €'000	2015 €'000
Finished goods and goods for resale	<u>4,609</u>	<u>253</u>

The replacement cost of stocks held by the company at 31 March 2016 was not significantly different from the amount at which it is stated in the balance sheet.

Finished goods recognised as cost of sales in the year amounted to €47,104,000 (2015:€28,063,000). This is much higher than cost of sales reported in the profit and loss account as inventory business is considered gross.

14. Debtors

	2016 €'000	2015 €'000
Trade debtors	7,874	8,731
Amounts owed by group undertakings	4,258	2,437
Other debtors	7	152
Deferred tax (see Note 17)	-	-
Prepayments and accrued income	155	63
	<u>12,294</u>	<u>11,383</u>

The average credit period taken on sales of goods is 55 days (2015: 76 days). This is calculated using the gross value of transactions for agency sales. The gross value of trades where the company acts as an agent during the year is €54,863,000 (2015: €32,449,000).

Directors consider that the carrying amount of trade and other debtors approximates their fair value.

Summit Pharmaceuticals Europe Limited

Notes to the accounts (forming part of the financial statements)

15. Trade creditors and Amounts owed to group undertakings

	2016 €'000	2015 €'000
Trade creditors	5,510	5,294
Parent company and fellow subsidiaries	5,275	2,119
Other taxation and social security costs	147	48
Other creditors	875	85
Accruals and deferred income	1,199	487
	<u>13,006</u>	<u>8,033</u>

Trade creditors and amounts owed to group undertakings principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 41 days (2015: 48 days). This is calculated on gross cost of sales. The gross value of cost of sales where the company acts as an agent during the year is €48,129,000 (2015: €28,040,000).

16. Provision for liabilities

	2016 €'000	2015 €'000
Employee's retirement allowance (TFR)	448	415
	<u>€'000</u>	<u>€'000</u>
Opening balance	415	368
Charge to profit and loss account	68	72
Transfer out of funds for leavers	(35)	(25)
Closing balance	<u>448</u>	<u>415</u>

Employees' retirement allowance

Under Italian law the company is required to maintain a *Trattamento Fine Rapporto* (TFR) for its employees. The cost to the company in cash terms during the year was €68,000 (2015: €72,000). The closing balance at year end is based on employees' salary and length of service with the company.

Summit Pharmaceuticals Europe Limited

Notes to the accounts (forming part of the financial statements)

17. Deferred taxation

The movements in deferred taxation provided in the accounts are:

	2016 €'000	2015 €'000
Short term temporary differences	-	-
	<u>€'000</u>	<u>€'000</u>
Opening balance	-	(13)
Reclassification to corporate tax receivable	-	13
Closing balance	<u>-</u>	<u>-</u>

In accordance with IAS12: Income Taxes, the company provides for all deferred tax liabilities in full less available deferred tax assets. Milan branch booked no deferred tax assets and liabilities this year. Madrid and London branches had no deferred tax bookings in both years.

18. Pension costs

The company operated a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to €9,000 (2015: €9,000).

Summit Pharmaceuticals Europe Limited

Notes to the accounts

(forming part of the financial statements)

19. Derivative financial instruments

The company does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

The company is a party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the company's principal markets.

Currency derivatives

	2016 €'000	2015 €'000
Derivative asset	115	55
Derivative liability	(113)	(21)

At the balance sheet date, total fair value amount of outstanding forward foreign exchange contracts that the company has committed are as below.

	2016 €'000	2015 €'000
Forward foreign currency contracts	2	34

The notional value of the forward foreign currency contracts is:

	Buy 000's	Sell 000's
JPY	25,568	123,171
USD	3,539	4,764
GBP	239	251

The fair value is calculated using the rates obtained from Bloomberg on the last trading day of the year.

20. Capital and reserves

	2016 €'000	2015 €'000
Allotted, called up and fully paid:		
1,614,000 ordinary shares of £1 each	2,399	2,399

The value of the company's £1 shares translated at the closing rate at 31 March 2016 is €2,034,000 (2015: €2,219,000).

Summit Pharmaceuticals Europe Limited

Notes to the accounts *(forming part of the financial statements)*

21. Parent company

The immediate and ultimate parent company is Sumitomo Corporation, a company incorporated in Japan.

Sumitomo Corporation heads the largest group of which the company is a member and for which group accounts are prepared. The group accounts for Sumitomo Corporation are available at 8-11 Harumi, 1-chome, Chuo-ku, Tokyo, Japan.

Independent auditor's report to the members of Summit Pharmaceuticals Europe Limited

We have audited the financial statements of Summit Pharmaceuticals Europe Limited for the year ended 31 March 2016 set out on pages 7 to 27. 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 101 *Reduced Disclosure Framework*.

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 5, 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 March 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 matter prescribed by the Companies Act 2006

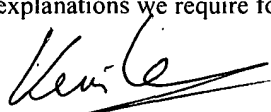
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Kevin Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom



21 June 2016