

**Company Registration No.4217656**

**Summit Pharmaceuticals Europe Limited**

**Annual report and financial statements**

**31 March 2018**



# **Summit Pharmaceuticals Europe Limited**

## **Report and financial statements 2018**

<b>Contents</b>	<b>Page</b>
Strategic report	1
Directors' report	3
Statement of directors' responsibilities	5
Independent auditor's report to the members of Summit Pharmaceuticals Europe Limited	6
Profit and loss account and Other comprehensive income	8
Statement of changes in equity	9
Balance sheet	10
Notes to the accounts	12

# Summit Pharmaceuticals Europe Limited

## Strategic report

The directors present the strategic report for the year ended 31 March 2018.

### Principal activities

Summit Pharmaceuticals Europe Limited (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.

There have not been any significant changes in the Company’s principal activities in the year under review.

### Business review

For the year ended 31 March 2018, the Company made a profit after tax of €1,249,000 (2017: €1,475,000). Turnover increased to €25,564,000 (2017: €25,207,000) and operating profit decreased to €1,814,000 (2017: €2,163,000) due to the combined effect of the increase in sales in its Cosmetic division, and the decrease sales of intermediates in its Pharma division.

The balance sheet shows net assets of €4,387,000 (2017: €4,631,000) and net current assets of €4,795,000 (2017: €4,951,000). For detailed breakdowns of current assets and liabilities please see notes 12 - 20.

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.

As the result of a referendum held in June 2016 the United Kingdom decided to leave the European Union. Since the referendum the directors have continued to monitor developments and assess the potential impact on the Company. The Brexit process has been and remains subject to many uncertainties and therefore it is difficult to draw final conclusions. However, to date the directors have not identified any significant adverse impacts on the Company’s business activities.

### 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 USD, GBP and JPY, and its reporting currency EUR. The Company manages these risks by entering into forward exchange contracts through its fellow group company, Sumitomo Corporation Europe Limited.

# Summit Pharmaceuticals Europe Limited

## Strategic report

### *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.

### *Credit risk*

The Company's principal financial assets are 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.

As part of its risk management control, the Company takes out an insurance policy in order to limit its exposure to credit risk.

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.

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.



T Yamana  
Director  
24 July 2018

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 2018.

### 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 4 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 €1,493,000/ €0.93 per share (2017: €559,000/ €0.35 per share).

### Directors

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

B Haga (resigned 3 April 2018)  
M Higashikawa (resigned 25 May 2017)  
K Nakamura (appointed 1 January 2017)  
Y Okura (resigned 20 April 2018)  
K Okuyama (resigned 22 January 2018)  
Y Terawaki (appointed 1 June 2016)  
Y Miyamoto (appointed 25 May 2017)  
T Kitamura (appointed 22 January 2018)  
T Yamana (appointed 3 April 2018)  
T Nishihara (appointed 20 April 2018)

### 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 Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

# Summit Pharmaceuticals Europe Limited

## Directors' report

### Political contributions

The Company made no political donations during the year (2017: nil).

### 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 that each director has taken all the steps that they ought to have taken as a director to make themselves 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



T Yamana  
Director  
24 July 2018

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;
- 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 Summit Pharmaceuticals Europe Limited**

## **Opinion**

We have audited the financial statements of Summit Pharmaceuticals Europe Limited ("the company") for the year ended 31 March 2018 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 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.



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

We have nothing to report in these respects.

## **Directors' responsibilities**

As explained more fully in their 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; 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.

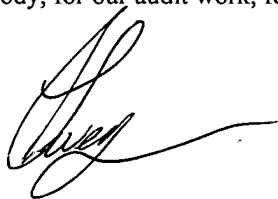
## **Auditor's responsibilities**

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](http://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.



**James Lovegrove (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

27 July 2018

## Summit Pharmaceuticals Europe Limited

### Profit and loss account and other comprehensive income for the year ended 31 March 2018

	Note	2018 €'000	2017 €'000
Turnover	2	25,564	25,207
Cost of sales	2	(17,246)	(16,684)
<b>Gross profit</b>		<u>8,318</u>	<u>8,523</u>
Administrative expenses		(6,532)	(6,359)
Other operating income and expenses		28	(1)
<b>Operating profit</b>		<u>1,814</u>	<u>2,163</u>
Interest receivable and similar income	6	6	1
Interest payable and similar expenses	7	(19)	(14)
<b>Profit before taxation</b>		<u>1,801</u>	<u>2,150</u>
Tax on profit	8	(552)	(675)
<b>Profit for the financial year</b>		<u>1,249</u>	<u>1,475</u>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<u><u>1,249</u></u>	<u><u>1,475</u></u>

The results shown above are derived entirely from continuing operations.

The notes on pages 12 to 27 form an integral part of the financial statements.

## Summit Pharmaceuticals Europe Limited

### Statement of changes in equity

31 March 2018

	Called up share capital	Profit & loss	Total
Balance brought forward 1 April 2016	2,399	1,316	3,715
Profit retained for year	-	1,475	1,475
Dividend paid	-	(559)	(559)
	<hr/>	<hr/>	<hr/>
Balance carried forward 31 March 2017	2,399	2,232	4,631
	<hr/>	<hr/>	<hr/>
Balance brought forward 1 April 2017	2,399	2,232	4,631
Profit retained for year	-	1,249	1,249
Dividend paid	-	(1,493)	(1,493)
	<hr/>	<hr/>	<hr/>
Balance carried forward 31 March 2018	2,399	1,988	4,387
	<hr/>	<hr/>	<hr/>

The notes on pages 12 to 27 form an integral part of the financial statements.

# Summit Pharmaceuticals Europe Limited

## Balance sheet

As at 31 March 2018

	Note	2018 €'000	€'000	2017 €'000	€'000
<b>Fixed assets</b>					
Tangible fixed assets	9	74		101	
Intangible assets	10	39		88	
Investments	12	10		10	
			123		199
<b>Current assets</b>					
Stocks	13	4,244		4,830	
Debtors	14	13,230		12,749	
Derivative assets	18	15		40	
Cash at bank and in hand		18		-	
		17,507		17,619	
<b>Creditors: amounts falling due within one year</b>	15	12,712		12,668	
		12,712		12,668	
<b>Net current assets</b>			4,795		4,951
<b>Total assets less current liabilities</b>			4,918		5,150
Provision for liabilities	16		531		519
<b>Net assets</b>			4,387		4,631
<b>Capital and reserves</b>					
Called up share capital	19		2,399		2,399
Profit and loss account			1,988		2,232
<b>Shareholders' funds</b>			4,387		4,631

# **Summit Pharmaceuticals Europe Limited**

## **Balance sheet**

**As at 31 March 2018**

The notes on pages 12 to 27 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 24 July 2018.

Signed on behalf of the Board of Directors



**T Yamana**

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 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. 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; and
- 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:

- 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; and
- 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
--	--------------------------------------

#### 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
----------	--------------------------------------

#### Stocks

Stocks are stated at cost less any provision required to reduce the 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, and 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. Commission income is recognised when the service for which the commission relates has been completed.

#### 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)

#### 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 in hand, 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 London Interbank Offered Rate (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.

#### *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 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.

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 1. Accounting policies (continued)

#### *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.

### **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.

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 1. Accounting policies (continued)

#### 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.

#### 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 the trading of pharmaceutical and cosmetic 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 by geographical area.

The gross value of trades where the Company acted as both principle and agent during the year is €58,023,000 (2017: €63,152,000), with associated cost of sales of €49,705,000 (2017: €54,629,000). The net value of these transactions is included in the turnover of €25,564,000 (2017: €25,207,000).

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 3. Expenses and auditor's remuneration

	2018 €'000	2017 €'000
Included in profit/loss are the following:		
Depreciation/Amortisation and other amounts written off tangible and intangible fixed assets: Own assets (see note 9 and 10)	92	90
Gain/(Loss) on foreign exchange translation	8	(120)
	<u>          </u>	<u>          </u>
Auditor's remuneration:		
Audit of these financial statements	120	120
	<u>          </u>	<u>          </u>

### 4. Staff numbers and costs

	2018 No.	2017 No.
Average number of persons employed (including directors) analysed by category:		
Sales and administration	38	36
	<u>          </u>	<u>          </u>

	2018 €'000	2017 €'000
Employee costs during the year (including directors):		
Wages and salaries	2,548	2,798
Social security costs	417	403
Other pension costs (see note 17)	93	103
	<u>          </u>	<u>          </u>
	3,057	3,304
	<u>          </u>	<u>          </u>

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 5. Directors' remuneration

	2018 €'000	2017 €'000
Directors' emoluments	<u>320</u>	<u>391</u>
No pension contributions were made in respect of directors (2017: nil).		
Remuneration of highest paid director	<u>320</u>	<u>299</u>

Directors do not have share options and did not receive awards during the year in the form of shares under long-term incentive schemes (2017: nil). Directors' pensions are borne by the ultimate parent company.

### 6. Interest receivable and similar income

	2018 €'000	2017 €'000
Interest receivable from group companies	<u>6</u>	<u>1</u>

### 7. Interest payable and similar expenses

	2018 €'000	2017 €'000
Interest payable to group companies	13	14
Other financial expenses	<u>6</u>	<u>-</u>
	<u>19</u>	<u>14</u>

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 8. Tax on profit on ordinary activities

#### (a) Recognised in the profit and loss account

	2018 €'000	2017 €'000
Current tax:		
UK corporation tax on profits of the period	423	409
Double tax relief	(423)	(409)
	<hr/>	<hr/>
	-	-
Foreign tax:	645	675
Adjustments in respect of prior years	(1)	-
	<hr/>	<hr/>
	644	675
Deferred tax	(92)	-
	<hr/>	<hr/>
Tax on profit	<u>552</u>	<u>675</u>

#### (b) Reconciliation of effective tax rate

	2018 €'000	2017 €'000
Profit for the financial year	1,249	1,475
Total tax expense	552	675
	<hr/>	<hr/>
Profit before tax	<u>1,801</u>	<u>2,150</u>
Tax using the UK corporation tax rate of 19% (2017: 20%)	342	430
Effects of:		
Expenses not deductible for tax purposes	-	10
Higher rates of tax on overseas earnings	222	235
Adjust deferred tax to 19%	(11)	-
Adjustments to tax charge in respect to previous periods	(1)	-
	<hr/>	<hr/>
Total tax expense	<u>552</u>	<u>675</u>

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 8. Tax on profit on ordinary activities (continued)

#### (c) Factors affecting the tax charge for future periods

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 18% (effective from 1 April 2020) was also substantively enacted on 26 October 2015, with an additional reduction to 17% (effective from 1 April 2020) being substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

### 9. Tangible fixed assets

	Buildings	Plant and machinery	Fixtures and fittings	Total
	€'000	€'000	€'000	€'000
<b>Cost</b>				
Balance at 1 April 2017	101	139	95	335
Additions	-	15	1	16
Disposals	-	(3)	(2)	(5)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	101	151	94	346
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>				
Balance at 1 April 2017	97	67	70	234
Depreciation charge for the year	3	25	13	41
Disposals	-	(2)	(1)	(3)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	100	90	82	272
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 1 April 2017	4	72	25	101
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	1	61	12	74
	<hr/>	<hr/>	<hr/>	<hr/>

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 10. Intangible assets

	Software	Other Intangibles	Total
	€'000	€'000	€'000
<b>Cost</b>			
Balance at 1 April 2017	204	18	222
Additions	-	2	2
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	204	20	224
	<hr/>	<hr/>	<hr/>
<b>Accumulated amortisation</b>			
Balance at 1 April 2017	127	7	134
Amortisation charge for the year	47	4	51
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	174	11	185
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 1 April 2017	77	11	88
	<hr/>	<hr/>	<hr/>
At 31 March 2018	30	9	39
	<hr/>	<hr/>	<hr/>

### 11. Deferred Tax asset and liability

The deferred tax asset is attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	€'000	€'000	€'000	€'000	€'000	€'000
Provisions (note 16)	92	-	-	-	92	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tax assets	92	-	-	-	92	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

All movement in the year was recorded through the profit and loss account.



# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 12. Fixed asset investments

	2018 Participating interests €'000	2017 Participating interests €'000
Net book value	10	10

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

### 13. Stocks

	2018 €'000	2017 €'000
Finished goods and goods for resale	4,244	4,830

The replacement cost of stocks held by the Company at 31 March 2018 was not significantly different from the amount at which it is stated in the balance sheet.

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 14. Debtors

	2018	2017
	€'000	€'000
Trade debtors	10,213	10,032
Amounts owed by group undertakings	2,211	2,395
Other debtors	300	171
Deferred tax asset (note 11)	92	-
Prepayments and accrued income	414	151
	<u>13,230</u>	<u>12,749</u>

The average credit period taken on sales of goods is 67 days (2017: 52 days). This is calculated using the gross value of transactions for both principal and agency sales.

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

### 15. Creditors: amounts falling due within one year

	2018	2017
	€'000	€'000
Overdraft, bank and other loans	29	10
Trade creditors	5,381	6,676
Parent company and fellow subsidiaries	5,979	4,223
Derivatives liabilities (note 18)	32	38
Taxes and social security	328	614
Other creditors	599	715
Accruals and deferred income	364	392
	<u>12,712</u>	<u>12,668</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 44 days (2017: 41 days). This is calculated on gross cost of sales.

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 16. Provision for liabilities

	2018 €'000	2017 €'000
Employees' retirement allowance (TFR)	531	519
	<u>€'000</u>	<u>€'000</u>
Opening balance	519	448
Charge to profit and loss account	76	84
Transfer out of funds for leavers	(64)	(13)
Closing balance	<u>531</u>	<u>519</u>

Under Italian law the Company is required to maintain an Employees' retirement allowance: *Trattamento Fine Rapporto* (TFR) for its employees. The cost to the Company in cash terms during the year was €64,000 (2016: €13,000). The closing balance at year end is based on employees' salary and length of service with the Company.

### 17. 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 €11,000 (2017: €10,000).

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 18. 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

	2018 €'000	2017 €'000
Derivative asset	15	40
Derivative liability	(32)	(38)

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

	2018 €'000	2017 €'000
Forward foreign currency contracts	(17)	2

The notional value of the forward foreign currency contracts is:

	Buy 000's	Sell 000's
JPY	87,400	123,930
USD	1,738	2,244

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

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 19. Capital and reserves

	2018	2017
	€'000	€'000
<b>Allotted, called up and fully paid:</b>		
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 2018 is €1,845,000 (2017: €1,886,000).

### 20. 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.