

**Company Registration No.4217656**

**Summit Pharmaceuticals Europe Limited**

**Report and Financial Statements**

**31 March 2017**

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21/07/2017  
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# **Summit Pharmaceuticals Europe Limited**

## **Report and financial statements 2017**

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# Summit Pharmaceuticals Europe Limited

## Strategic report

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

### 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.

Apart from the below 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 2017, the Company made a profit after tax of €1,475,000 (2016: €608,000). Turnover increased to €25,207,000 (2016 restated: €20,793,000) and Operating Profit increased to €2,163,000 (2016: €957,000) due to the increase in cosmetic selling to the European market in its Cosmetic division, and the increase of sales in Active Pharmaceuticals Ingredients in its Pharma Division.

The balance sheet shows net assets of €4,631,000 (2015: €3,715,000). Net current assets have increased to €4,951,000 (2015: €3,908,000) in the current year. For detailed breakdowns of current assets and liabilities please see notes 12 - 17.

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 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.

# 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, based in London, England.

### *Credit risk*

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

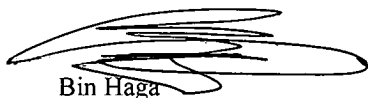
The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction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

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

05 July 2017

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 2017.

### 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 €559,000: €0.35 per share (2016: €209,000: €0.13).

### Directors

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

B Haga

M Higashikawa

T Horimoto (resigned 1 June 2016)

K Nakamura (appointed 1 January 2017)

Y Okura

K Okuyama (appointed 1 November 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 (2016: 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  
05 July 2017

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 2017 set out on pages 8 to 26. 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](http://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 2017 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 is consistent with the financial statements.

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

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



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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Kevin Hall (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

United Kingdom

05 July 2017

## Summit Pharmaceuticals Europe Limited

### Profit and loss account and Other Comprehensive Income for the year ended 31 March 2017

|  | Note | 2017<br>€'000       | 2016<br>€'000<br>(Restated) |
|--|------|---------------------|-----------------------------|
| Turnover                                       | 2    | 25,207              | 20,793                      |
| Cost of sales                                  | 2    | (16,684)            | (14,059)                    |
| <b>Gross profit</b>                            |      | <u>8,523</u>        | <u>6,734</u>                |
| Administrative expenses                        |      | (6,359)             | (5,777)                     |
| Other operating expenses                       |      | (1)                 | -                           |
| <b>Operating profit</b>                        |      | <u>2,163</u>        | <u>957</u>                  |
| Interest receivable and similar income         | 6    | 1                   | 31                          |
| Interest payable and similar expenses          | 7    | (14)                | (53)                        |
| <b>Profit before taxation</b>                  |      | <u>2,150</u>        | <u>935</u>                  |
| Tax on profit                                  | 8    | (675)               | (327)                       |
| <b>Profit for the financial year</b>           |      | <u>1,475</u>        | <u>608</u>                  |
| Other Comprehensive income for the year        |      | -                   | -                           |
| <b>Total comprehensive income for the year</b> |      | <u><u>1,475</u></u> | <u><u>608</u></u>           |

During the year with respect to the cosmetic business acquired in the previous year the directors have reassessed the nature of transactions with customers and identified that these transactions should be recorded gross, as they act as principal for those transactions, rather than netting the amounts billed and costs incurred. They have therefore restated the 2016 results to increase both turnover and cost of sales by €14,059,000 from €6,734,000 and €0, respectively. This had no impact on the profit or net assets for the financial year 2016.

The results are derived entirely from continuing operations.

The notes on pages 12 to 26 form an integral part of the financial statements.

## Summit Pharmaceuticals Europe Limited

### Statement of changes in equity

31 March 2017

|                                       | Called up<br>share capital | Profit & loss | Total |
|---------------------------------------|----------------------------|---------------|-------|
| 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/> |
| 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/> |

The notes on pages 12 to 26 form an integral part of the financial statements.

# Summit Pharmaceuticals Europe Limited

## Balance sheet

As at 31 March 2017

|  | Note | 2017   |       | 2016   |       |
|--|------|--------|-------|--------|-------|
|  |      | €'000  | €'000 | €'000  | €'000 |
| <b>Fixed assets</b>                                    |      |        |       |        |       |
| Tangible fixed assets                                  | 9    | 101    |       | 133    |       |
| Intangible assets                                      | 10   | 88     |       | 112    |       |
| Investments  | 11   | 10     |       | 10     |       |
|  |      |        |       |        |       |
|  |      |        | 199   |        | 255   |
| <b>Current assets</b>                                  |      |        |       |        |       |
| Stocks   | 12   | 4,830  |       | 4,609  |       |
| Debtors  | 13   | 12,749 |       | 12,294 |       |
| Derivative assets                                      | 17   | 40     |       | 115    |       |
| Cash at bank and in hand                               |      | -      |       | 9      |       |
|  |      |        |       |        |       |
|  |      | 17,619 |       | 17,027 |       |
| <b>Creditors: amounts falling due within one year</b>  |      |        |       |        |       |
| Bank loans, overdraft and other loans                  |      | 10     |       | -      |       |
| Trade creditors  | 14   | 6,764  |       | 5,510  |       |
| Amounts owed to group undertakings                     | 14   | 4,223  |       | 5,275  |       |
| Derivative liabilities                                 | 17   | 38     |       | 113    |       |
| Other creditors including taxation and social security | 14   | 1,633  |       | 2,221  |       |
|  |      |        |       |        |       |
|  |      | 12,668 |       | 13,119 |       |
| <b>Net current assets</b>                              |      |        |       |        |       |
|  |      |        | 4,951 |        | 3,908 |
| <b>Total assets less current liabilities</b>           |      |        |       |        |       |
|  |      |        | 5,150 |        | 4,163 |
| Provision for liabilities                              | 15   |        | 519   |        | 448   |
| <b>Net assets</b>                                      |      |        |       |        |       |
|  |      |        | 4,631 |        | 3,715 |
| <b>Capital and reserves</b>                            |      |        |       |        |       |
| Called up share capital                                | 18   |        | 2,399 |        | 2,399 |
| Profit and loss account                                |      |        | 2,232 |        | 1,316 |
| <b>Shareholders' funds</b>                             |      |        |       |        |       |
|  |      |        | 4,631 |        | 3,715 |

# **Summit Pharmaceuticals Europe Limited**

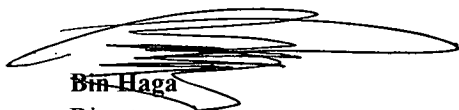
## **Balance sheet**

**As at 31 March 2017**

The notes on pages 12 to 26 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 05 July 2017.

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 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;
- 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 |
|----------|--------------------------------------|

#### 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; 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 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 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'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.

# 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 during the year is €63,152,000 (2016: €54,863,000), with associated cost of sales €54,629,000 (2016: €48,129,000).

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 3. Expenses and auditor's remuneration

|   | 2017<br>€'000 | 2016<br>€'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) | 90            | 62            |
| Loss on foreign exchange translation  | (201)         | (87)          |
| Auditor's remuneration:   |               |               |
| Audit of these financial statements   | 120           | 134           |

### 4. Staff numbers and costs

|  | 2017<br>No. | 2016<br>No. |
|--|-------------|-------------|
| Average number of persons employed (including directors) analysed by category: |             |             |
| Sales and administration   | 32          | 29          |

|   | 2017<br>€'000 | 2016<br>€'000 |
|---|---------------|---------------|
| Employee costs during the year (including directors): |               |               |
| Wages and salaries                                    | 2,798         | 2,611         |
| Social security costs                                 | 403           | 357           |
| Other pension costs (see note 16)                     | 103           | 88            |
|   | 3,304         | 3,056         |

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 5. Directors' remuneration

|   | 2017<br>€'000 | 2016<br>€'000<br>(Restated) |
|---|---------------|-----------------------------|
| Directors' emoluments   | <u>391</u>    | <u>301</u>                  |
| No pension contributions were made in respect of Directors (2016: nil). |               |                             |
| Remuneration of highest paid director                                   | <u>299</u>    | <u>288</u>                  |

The Company identified the amount disclosed for the previous period was incorrect and so has been corrected from the amount of €599,000 shown in the prior year financial statements.

Directors do not have share options and did not receive awards during the year in the form of shares under long-term incentive schemes (2016: nil). Directors' pensions are borne by the ultimate parent company.

### 6. Interest receivable and similar income

|  | 2017<br>€'000 | 2016<br>€'000 |
|--|---------------|---------------|
| Interest receivable from group companies | <u>1</u>      | <u>31</u>     |

### 7. Interest payable and similar expenses

|                                     | 2017<br>€'000 | 2016<br>€'000 |
|-------------------------------------|---------------|---------------|
| Interest payable to group companies | <u>14</u>     | <u>53</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

|   | 2017<br>€'000     | 2016<br>€'000     |
|---|-------------------|-------------------|
| Current tax:                                |                   |                   |
| UK corporation tax on profits of the period | -                 | -                 |
| Adjustments in respect of prior years       | -                 | -                 |
|   | <u>-</u>          | <u>-</u>          |
| Foreign tax:                                | 675               | 297               |
| Adjustments in respect of prior years       | -                 | 30                |
|   | <u>675</u>        | <u>327</u>        |
| Tax on profit                               | <u><u>675</u></u> | <u><u>327</u></u> |

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

|  | 2017<br>€'000     | 2016<br>€'000     |
|--|-------------------|-------------------|
| Profit for the financial year                            | 1,475             | 608               |
| Total tax expense  | 675               | 327               |
|  | <u>2,150</u>      | <u>935</u>        |
| Profit before tax  | <u>2,150</u>      | <u>935</u>        |
| Tax using the UK corporation tax rate of 20% (2016: 20%) | 430               | 187               |
| Effects of:  |                   |                   |
| Expenses not deductible for tax purposes                 | 10                | (8)               |
| Higher rates of tax on overseas earnings                 | 235               | 118               |
| Adjustments to tax charge in respect to previous periods | -                 | 30                |
|  | <u>675</u>        | <u>327</u>        |
| Total tax expense  | <u><u>675</u></u> | <u><u>327</u></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 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

### 9. Tangible fixed assets

|                                  | Buildings | Plant and<br>machinery | Fixtures<br>and<br>fittings | Total |
|----------------------------------|-----------|------------------------|-----------------------------|-------|
|                                  | €'000     | €'000                  | €'000                       | €'000 |
| <b>Cost</b>                      |           |                        |                             |       |
| Balance at 1 April 2016          | 101       | 156                    | 112                         | 369   |
| Additions                        | -         | 8                      | 2                           | 10    |
| Reclassification                 | -         | 18                     | (18)                        | -     |
| Disposal                         | -         | (43)                   | (1)                         | (44)  |
|                                  | <hr/>     | <hr/>                  | <hr/>                       | <hr/> |
| Balance at 31 March 2017         | 101       | 139                    | 95                          | 335   |
| <b>Accumulated depreciation</b>  |           |                        |                             |       |
| Balance at 1 April 2016          | 94        | 81                     | 61                          | 236   |
| Depreciation charge for the year | 3         | 28                     | 9                           | 40    |
| Disposal                         | -         | (42)                   | -                           | (42)  |
|                                  | <hr/>     | <hr/>                  | <hr/>                       | <hr/> |
| Balance at 31 March 2017         | 97        | 67                     | 70                          | 234   |
| <b>Net book value</b>            |           |                        |                             |       |
| At 1 April 2016                  | <hr/>     | <hr/>                  | <hr/>                       | <hr/> |
|                                  | 7         | 75                     | 51                          | 133   |
|                                  | <hr/>     | <hr/>                  | <hr/>                       | <hr/> |
| At 31 March 2017                 | <hr/>     | <hr/>                  | <hr/>                       | <hr/> |
|                                  | 4         | 72                     | 25                          | 101   |
|                                  | <hr/>     | <hr/>                  | <hr/>                       | <hr/> |

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

### 10. Intangible assets

|                                  | Software | Total |
|----------------------------------|----------|-------|
|                                  | €'000    | €'000 |
| <b>Cost</b>                      |          |       |
| Balance at 1 April 2016          | 196      | 196   |
| Additions                        | 26       | 26    |
|                                  | <hr/>    | <hr/> |
| Balance at 31 March 2017         | 222      | 222   |
|                                  | <hr/>    | <hr/> |
| <b>Accumulated Amortisation</b>  |          |       |
| Balance at 1 April 2016          | 84       | 84    |
| Amortisation charge for the year | 50       | 50    |
|                                  | <hr/>    | <hr/> |
| Balance at 31 March 2017         | 134      | 134   |
|                                  | <hr/>    | <hr/> |
| <b>Net book value</b>            |          |       |
| At 1 April 2016                  | 112      | 112   |
|                                  | <hr/>    | <hr/> |
| At 31 March 2017                 | 88       | 88    |
|                                  | <hr/>    | <hr/> |

### 11. Fixed asset investments

|                       | 2017          | 2016          |
|-----------------------|---------------|---------------|
|                       | Participating | Participating |
|                       | interests     | interests     |
|                       | €'000         | €'000         |
| <b>Net book value</b> | 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)*

### 12. Stocks

|                                     | 2017<br>€'000 | 2016<br>€'000 |
|-------------------------------------|---------------|---------------|
| Finished goods and goods for resale | 4,830         | 4,609         |

The replacement cost of stocks held by the company at 31 March 2017 was not significantly different from the amount at which it is stated in the balance sheet.

Finished goods recognised as cost of sales excluding freight, re-valuation loss and commission expenses in the year amounted to €15,976,000 (2016 restated: €13,339,000).

### 13. Debtors

|                                    | 2017<br>€'000 | 2016<br>€'000 |
|------------------------------------|---------------|---------------|
| Trade debtors                      | 10,184        | 7,874         |
| Amounts owed by group undertakings | 2,395         | 4,258         |
| Other debtors                      | 8             | 7             |
| Prepayments and accrued income     | 162           | 155           |
|                                    | <u>12,749</u> | <u>12,294</u> |

The average credit period taken on sales of goods is 52 days (2016: 55 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.

# Summit Pharmaceuticals Europe Limited

## Notes to the accounts

*(forming part of the financial statements)*

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

|  | 2017          | 2016          |
|--|---------------|---------------|
|  | €'000         | €'000         |
| Bank loans, overdraft and other loans  | 10            | -             |
| Trade creditors                        | 6,764         | 5,510         |
| Parent company and fellow subsidiaries | 4,223         | 5,275         |
| Derivatives liabilities (note 17)      | 38            | 113           |
| Corporation tax                        | 580           | 147           |
| Other creditors                        | 75            | 875           |
| Accruals and deferred income           | 978           | 1,199         |
|  | <u>12,668</u> | <u>13,119</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 (2016: 41 days). This is calculated on gross cost of sales.

### 15. Provision for liabilities

|                                       | 2017         | 2016         |
|---------------------------------------|--------------|--------------|
|                                       | €'000        | €'000        |
| Employee's retirement allowance (TFR) | 519          | 448          |
|                                       | <u>€'000</u> | <u>€'000</u> |
| Opening balance                       | 448          | 415          |
| Charge to profit and loss account     | 84           | 68           |
| Transfer out of funds for leavers     | (13)         | (35)         |
| Closing balance                       | <u>519</u>   | <u>448</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 €13,000 (2016: €35,000). 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)*

### 16. 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 €10,000 (2016: €9,000).

### 17. 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

|                      | 2017  | 2016  |
|----------------------|-------|-------|
|                      | €'000 | €'000 |
| Derivative asset     | 40    | 115   |
| Derivative liability | (38)  | (113) |

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

|                                    | 2017  | 2016  |
|------------------------------------|-------|-------|
|                                    | €'000 | €'000 |
| Forward foreign currency contracts | 2     | 2     |

The notional value of the forward foreign currency contracts is:

|     | Buy    | Sell   |
|-----|--------|--------|
|     | 000's  | 000's  |
| JPY | 17,410 | 46,149 |
| USD | 2,900  | 3,399  |
| GBP | 215    | 225    |

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)*

### 18. Capital and reserves

|  | 2017         | 2016         |
|--|--------------|--------------|
|  | €'000        | €'000        |
| <b>Allotted, called up and fully paid:</b> |              |              |
| 1,614,000 ordinary shares of £1 each       | 2,399        | 2,399        |
|  | <u>2,399</u> | <u>2,399</u> |

The value of the company's £1 shares translated at the closing rate at 31 March 2017 is €1,886,000 (2016: €2,034,000).

### 19. 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.