

Company Registration No. 4217656

Summit Pharmaceuticals Europe Limited

Report and Financial Statements

31 March 2008

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Summit Pharmaceuticals Europe Limited

Report and financial statements 2008

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Summit Pharmaceuticals Europe Limited

Report and financial statements 2008

Officers and professional advisers

Directors

Y Tanaka
Y Oda
M Sasaki

Secretary

Sumitomo Corporation Europe Limited

Registered office

Vintners' Place
68 Upper Thames Street
London EC4V 3BJ

Bankers

The Bank of Tokyo-Mitsubishi, Ltd
Madrid Office
J Ortega y gasset, 29
28006 Madrid

The Bank of Tokyo-Mitsubishi, Ltd
Viale della Liberazione, 18
20124 Milano

Citibank NA
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Banca Nazionale del Lavoro
Agenzia 10
Piazza Pasolini, 24 (ang Via Manabrea)
20159 Milano

Solicitors

Denton Wilde Sapte
One Fleet Place
London EC4M 7WS

Auditors

KPMG Audit Plc
Chartered Accountants
London

Summit Pharmaceuticals Europe Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2008

Business review and principal activities

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

The functional currency of the company based on the majority of its transactions is the Euro. Hence the financial statements have been prepared in euros.

For the year ended 31 March 2008, the company made a profit after tax of €790,000 (2007 profit of €788,000). Turnover decreased to €56,286,000 (2007 €69,149,000) and gross profit decreased to €4,570,000 (2007 €5,340,000) due to the long term company strategy of reducing high volume but low profit business and replacing it with newly developing projects that are expected to provide a higher yield in future periods.

The balance sheet shows an increase in net assets of €790,000 which reflects the good profit performance of the company during the year. As a result of this performance, the company reduced amounts owed to trade creditors and group companies by €5,858,000. Trade debtors have fallen from €12,819,000 to €6,598,000 due to the reduction in turnover.

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.

Future prospects

The directors are confident that the company is soundly based not only to continue with its current activities, but also to promote new areas of business and activities in Europe. The company will continue to target expansion of its business activities through organic growth and strategic investments.

Principal risks and uncertainties

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

Foreign exchange risk

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

Liquidity and Cash risk

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

Summit Pharmaceuticals Europe Limited

Directors' report (continued)

Credit risk

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

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.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the company's activities. Initiatives designed to minimise the company's impact on the environment include recycling of waste paper and obsolete office equipment, reducing energy consumption and encouraging the purchase of environment-friendly office supplies whenever possible.

Employees

Details of the number of employees and related costs can be found in note 3 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 did not pay a dividend in the year (2007 € Nil) in respect of profits achieved up to and including the year ended 31 March 2008.

Directors

The present membership of the Board is set out on page 1. The directors, who served throughout the year, were as follows:

H Arakawa (Resigned 25 June 2008)

Y Oda

M Sasaki

Y Tanaka (Appointed 25 June 2008)

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year.

Summit Pharmaceuticals Europe Limited

Directors' report (continued)

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information

Auditors

KPMG Audit Plc have expressed their willingness to continue as auditors Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office

Approved by the Board of Directors and signed on behalf of the Board



Y Tanaka
Director

Aug 1st 2008

Summit Pharmaceuticals Europe Limited

Statement of directors' responsibilities in respect of the Directors Report and the financial statements

The directors are responsible for preparing 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)

The financial statements are required by law to 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 judgments 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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.



8 Salisbury Square
London
EC4Y 8BB

Independent auditors' 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 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

1 August 2008

Summit Pharmaceuticals Europe Limited

Profit and loss account Year ended 31 March 2008

	Notes	2008 €'000	2007 €'000
Turnover	2	56,286	69,149
Cost of sales		<u>(51,716)</u>	<u>(63,809)</u>
Gross profit		4,570	5,340
Administrative expenses		(3,329)	(3,983)
Other operating income		<u>-</u>	<u>13</u>
Operating profit	4	<u>1,241</u>	<u>1,370</u>
Interest receivable and similar income	5	219	84
Interest payable and similar charges	6	(172)	(130)
Profit on ordinary activities before taxation		<u>1,288</u>	<u>1,324</u>
Tax on profit on ordinary activities	7	<u>(498)</u>	<u>(536)</u>
Profit on ordinary activities after taxation for the financial year		<u><u>790</u></u>	<u><u>788</u></u>

There are no recognised gains or losses for the current or prior year other than those shown in the profit and loss account

Summit Pharmaceuticals Europe Limited

Reconciliation of movements in shareholders' funds Year ended 31 March 2008

	2008 €'000	2007 €'000
Profit for the year	790	788
Net increase in shareholders' funds	790	788
Opening shareholders' funds	1,802	1,014
Closing shareholders' funds	2,592	1,802

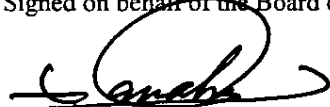
Summit Pharmaceuticals Europe Limited

Balance sheet As at 31 March 2008

	Note	2008		2007	
		€'000	€'000	€'000	€'000
Fixed assets					
Tangible assets	8	29		29	
Investments	9	187		187	
			216		216
Current assets					
Stocks	10	1,407		1,286	
Debtors	11	13,526		17,718	
Cash at bank and in hand		206		1,732	
		15,139		20,736	
Creditors: amounts falling due within one year					
Trade creditors		4,759		5,047	
Amounts owed to group companies		7,449		13,019	
Other creditors including taxation and social security	12	233		821	
Accruals and deferred income		153		162	
		12,594		19,049	
Net current assets			2,545		1,687
Total assets less current liabilities			2,761		1,903
Provision for liabilities	13		(169)		(101)
Net assets			2,592		1,802
Capital and reserves					
Called up share capital	16		2,399		2,399
Profit and loss account			193		(597)
Shareholders' funds			2,592		1,802

These financial statements were approved by the Board of Directors on *Aug 1st* 2008

Signed on behalf of the Board of Directors



Y Tanaka

Director

Summit Pharmaceuticals Europe Limited

Notes to the accounts Year ended 31 March 2008

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the current and the preceding year.

Accounting convention

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

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provisions for impairment. Depreciation is provided against cost in equal annual instalments over the estimated useful life of the asset. The rates of depreciation generally in use are as follows:

Plant and machinery	10%-33% per annum
Fixtures and fittings	10%-33% per annum

Investments

Investments held as fixed assets are stated at cost less any provision required for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents invoiced price together with, as appropriate, directly related overheads. Net realisable value is based on estimated selling price, less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Revenue recognition

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.

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

Summit Pharmaceuticals Europe Limited

Notes to the accounts Year ended 31 March 2008

1 Accounting policies (continued)

Trade receivables

Trade receivables are measured at initial recognition at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss 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.

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 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 profit or loss 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.

Trade payables

Trade payables 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.

Foreign exchange

Transactions in currencies other than the entity's functional currency are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Related parties

The company has taken advantage of the disclosure exemptions in FRS8 Related Parties and therefore has not disclosed details of transactions with group companies in these financial statements.

Cash flow statement

The company has taken advantage of the exemption offered by FRS1 Cash Flow Statements not to prepare a cash flow statement on the basis that the ultimate parent company produces consolidated accounts, which include a cashflow statement, into which the company's accounts are fully consolidated.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Summit Pharmaceuticals Europe Limited

Notes to the accounts Year ended 31 March 2008

2. Turnover

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

3 Information regarding directors and employees

	2008 €'000	2007 €'000
Directors' Emoluments	<u>455</u>	<u>446</u>
No pension contributions were made in respect of Directors		
Remuneration of highest paid director	<u>455</u>	<u>446</u>
Employee costs during the year (including directors)		
Wages and salaries	1,626	1,642
Social security costs	208	558
Other pension costs	93	105
	<u>1,927</u>	<u>2,305</u>

The average number of persons employed by the company in the year was 23 (2007: 20)

4. Operating profit

	2008 €'000	2007 €'000
Operating profit is after charging		
Auditors' remuneration – audit of these financial statements	80	112
Depreciation	16	26
Net loss on exchange differences	<u>126</u>	<u>142</u>

Fees paid to KPMG Audit Plc and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

Summit Pharmaceuticals Europe Limited

Notes to the accounts Year ended 31 March 2008

5. Interest receivable and similar income

	2008 €'000	2007 €'000
Bank deposit interest	25	84
Interest receivable from group companies	194	-
	<u>219</u>	<u>84</u>

6. Interest payable and similar charges

	2008 €'000	2007 €'000
Bank interest paid	-	115
Interest payable to group companies	172	15
	<u>172</u>	<u>130</u>

Summit Pharmaceuticals Europe Limited

Notes to the accounts Year ended 31 March 2008

7. Tax on profit on ordinary activities

(a) Analysis of charge in year

	2008 €'000	2007 €'000
Current tax		
UK corporation tax on profits of the year	(120)	(115)
Foreign tax	(401)	(413)
	<u>(521)</u>	<u>(528)</u>
Total current tax		
Adjustment to tax charge in respect to previous period	(15)	-
Deferred tax		
Origination and reversal of timing differences	38	(8)
	<u>(498)</u>	<u>(536)</u>
Tax charge on profit on ordinary activities		

(b) Factors affecting tax for the year

	2008 €'000	2007 €'000
Profit on ordinary activities before tax	<u>1,288</u>	<u>1,324</u>
Tax at 30% thereon	(387)	(397)
Effects of		
Expenses not deductible for tax purposes	(30)	(17)
Capital allowances in year in excess of depreciation	-	(5)
Movement in short term timing differences	38	30
Overseas tax rates	(142)	(139)
	<u>(521)</u>	<u>(528)</u>
Current tax charge for year		

From 1 April 2008 the corporation tax rate in the UK will change from 30% to 28%. This will have an impact on the company's London branch

Summit Pharmaceuticals Europe Limited

Notes to the accounts Year ended 31 March 2008

8. Tangible fixed assets

	Plant and machinery €'000	Fixtures and fittings €'000	Total €'000
Cost			
At 1 April 2007	237	71	308
Additions	21	-	21
Disposals	(31)	-	(31)
	<u>227</u>	<u>71</u>	<u>298</u>
At 31 March 2008			
Accumulated depreciation			
At 1 April 2007	213	66	279
Charge for the year	16	-	16
Disposals	(26)	-	(26)
	<u>203</u>	<u>66</u>	<u>269</u>
At 31 March 2008			
Net book value			
At 31 March 2008	<u>24</u>	<u>5</u>	<u>29</u>
At 31 March 2007	<u>24</u>	<u>5</u>	<u>29</u>

9. Investments

	2008 Other investments (unlisted) €'000	2007 Other investments (unlisted) €'000
Cost and net book value		
At 1 April 2007 and 31 March 2008	<u>187</u>	<u>187</u>

The company holds 10% of the ordinary shares of Summit Pharmaceutical Europe China Limited, a fellow group company registered and incorporated in China

10. Stocks

	2008 €'000	2007 €'000
Finished goods and goods for resale	<u>1,407</u>	<u>1,286</u>

The replacement cost of stocks held by the company at 31 March 2008 was not significantly different from the amount at which it is stated in the balance sheet

Summit Pharmaceuticals Europe Limited

Notes to the accounts Year ended 31 March 2008

11. Debtors

	2008 €'000	2007 €'000
Trade debtors	6,598	12,819
Amounts owed by group undertakings	5,915	4,063
Other debtors	234	6
Deferred taxation	-	38
Prepayments and accrued income	779	792
	<u>13,526</u>	<u>17,718</u>

12. Other creditors including taxation and social security

	2008 €'000	2007 €'000
Other creditors	112	443
Corporation tax	77	298
Other taxation and social security costs	44	80
	<u>233</u>	<u>821</u>

13. Provision for liabilities

	2008 €'000	2007 €'000
Employee's retirement allowance (TFR)	<u>169</u>	<u>101</u>
	€'000	€'000
Opening balance	101	202
Charge to profit and loss account	41	40
Amounts paid	(9)	(141)
Transfer in of funds for new employees	39	-
Transfer out of funds for leavers	(3)	-
Closing balance	<u>169</u>	<u>101</u>

Employees' retirement allowance

Under Italian law the company is required to maintain a Trattamento Fine Rapporto (TFR) for its employees
The cost to the company during the year was €41,000 (2007 €40,000)

Summit Pharmaceuticals Europe Limited

Notes to the accounts Year ended 31 March 2008

14. Deferred taxation

The movements in deferred tax are as follows

	2008 €'000	2007 €'000
Opening balance	38	46
Charged to profit and loss account	(38)	(8)
Closing balance	<u>-</u>	<u>38</u>
	2008 €'000	2007 €'000
Short term timing differences	<u>-</u>	<u>38</u>

15. Pension costs

The company operates 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 € 52,000 (2007: €65,000).

16. Called up share capital

	2008 £'000	2007 £'000
Authorised:		
3,000,000 ordinary shares of £1 each	<u>3,000</u>	<u>3,000</u>
Called up, allotted and fully paid:		
1,614,000 ordinary shares of £1 each	<u>1,614</u>	<u>1,614</u>

17. Ultimate and intermediate parent companies

The immediate parent company is Sumitomo Corporation Europe Limited, which owns 80% of the share capital. Sumitomo Corporation Europe Limited heads the smallest group of which the company is a member and for which group accounts are prepared. The group accounts are available from the registered office, at Vintners' Place, 68 Upper Thames Street, London EC4V 3BJ.

The company's ultimate parent company and controlling party is Sumitomo Corporation, a company incorporated in Japan, which ultimately controls 100% of the share capital. 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.