CHUGAI PHARMA U.K. LTD

Report and Accounts

31 December 2000

ERNST & YOUNG



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Chugai Pharma U.K. Ltd

Registered No. 2814621

DIRECTORS
M Saito (Chairman)
J L S Halls
Y Hibino
N Nakamura
T Ogasawara
Y Uchikura

SECRETARY
K Nishimura

AUDITORS
Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

BANKERS
Sumitomo Bank Limited
Temple Court
11 Queen Victoria Street
London EC4N 4TA

SOLICITORS
Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

REGISTERED OFFICE
Mulliner House
Flanders Road
Turnham Green
London W4 1NN

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DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,293,249 (1999 - profit £1,022,015).

The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the company is to operate in the pharmaceuticals industry.

The company's turnover has increased during the year and the directors expect this trend to continue over the coming year.

RESEARCH AND DEVELOPMENT

The company has continued to participate in research and development activities to enhance its position in the UK pharmaceutical market.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as follows:

M Saito
J L S Halls
Y Hibino
N Nakamura
T Ogasawara
Y Uchikura

There are no directors' interests requiring disclosure under the Companies Act 1985.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the board

Secretary K. Nishimura

27 JUN 2001

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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REPORT OF THE AUDITORS
to the shareholders of Chugai Pharma U.K. Ltd

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
London

28 JUN 2001

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2000

	Notes	2000 £	1999 £
TURNOVER	2	5,876,307	5,402,979
Cost of sales		2,419,580	2,518,722
GROSS PROFIT		3,456,727	2,884,257
Operating costs		(1,903,804)	(1,934,858)
Other operating income		32,671	34,956
OPERATING PROFIT	3	1,585,594	984,355
Interest receivable and similar income		168,618	93,397
Interest payable and similar charges	6	(33,434)	(23,335)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,720,778	1,054,417
Tax on profit on ordinary activities	7	427,529	32,402
PROFIT FOR THE FINANCIAL YEAR	16	1,293,249	1,022,015

All recognised gains and losses for the year have been dealt with in the profit and loss account.

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BALANCE SHEET
at 31 December 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Intangible asset	8	121,000	137,500
Tangible assets	9	209,388	245,176
		330,388	382,676
CURRENT ASSETS			
Debtors	10	1,852,686	997,241
Cash at bank and in hand		3,880,511	3,173,986
		5,733,197	4,171,227
CREDITORS: amounts falling due within one year	12	1,237,851	973,698
NET CURRENT ASSETS		4,495,346	3,197,529
TOTAL ASSETS LESS CURRENT LIABILITIES		4,825,734	3,580,205
CREDITORS: amounts falling due after more than one year			
Obligations under finance lease and hire purchase contracts	13	100,075	137,902
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax	14	-	9,893
		4,725,659	3,432,410
CAPITAL AND RESERVES			
Called up share capital	15	5,000,000	5,000,000
Profit and loss account	16	(274,341)	(1,567,590)
Shareholders' funds: Equity	16	4,725,659	3,432,410

Director

'27 JUN 2001

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STATEMENT OF CASH FLOWS
for the year ended 31 December 2000

	Note	2000 £	1999 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)	1,037,309	1,417,851
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		167,811	93,122
Interest element of finance lease rental payments		(33,434)	(23,335)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		134,377	69,787
TAXATION			
UK corporation tax paid		(402,872)	(45,983)
TAX PAID		(402,872)	(45,983)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(13,236)	(14,454)
Receipts from sale of tangible fixed assets		-	809
Consideration for termination of finance leases		45,925	105,071
NET CASH INFLOW FROM CAPITAL EXPENDITURE		32,689	91,426
NET CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		801,503	1,533,081
MANAGEMENT OF LIQUID RESOURCES			
Purchase of liquid resources		(44,073,500)	(31,744,400)
Sale of liquid resources		43,352,800	30,404,200
NET CASH OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES		(720,700)	(1,340,200)
FINANCING			
Capital element of finance lease rental payments		(94,978)	(155,217)
NET CASH OUTFLOW FROM FINANCING		(94,978)	(155,217)
(DECREASE)/INCREASE IN CASH		(14,175)	37,664

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STATEMENT OF CASH FLOWS
for the year ended 31 December 2000

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Notes	2000 £	1999 £
(DECREASE)/INCREASE IN CASH IN THE YEAR	11	(14,175)	37,664
Cash outflow from decrease in lease financing	11	94,978	155,217
Cash outflow from increase in liquid resources	11	720,700	1,340,200
Change in net funds arising from cash flows		801,503	1,533,081
New finance leases	11	(60,868)	(198,735)
MOVEMENT IN NET FUNDS IN THE YEAR		740,635	1,334,346
NET FUNDS AT 1 JANUARY		2,961,143	1,626,797
NET FUNDS AT 31 DECEMBER	11	3,701,778	2,961,143

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NOTES TO THE ACCOUNTS
at 31 December 2000

1. ACCOUNTING POLICIES

Accounting convention
The accounts are prepared under the historical cost convention in accordance with applicable accounting standards.

Intangible fixed asset
The intangible fixed asset represents the compensation paid for the surrender of an exclusive licence and sub-licence agreement. The payment has been capitalised and is being amortised in equal annual instalments over its estimated useful life of 10 years.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation
Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Fixtures and fittings	-	4 years
Computer equipment	-	4 years
Motor vehicles	-	4 years or the lease term, whichever is shorter

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Research and development
Research and development expenditure is written off as incurred.

Research expenditure is charged to the profit and loss account as it becomes payable in accordance with the financial arrangements entered into with the project. Expenditure for which the company has a liability at the year end is included within creditors.

Deferred taxation
Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments
Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases and hire purchase contracts.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

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NOTES TO THE ACCOUNTS
at 31 December 2000

1. ACCOUNTING POLICIES (continued)

Pensions
The company operates two defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover is attributable to the continuing activity of the company.

3. OPERATING PROFIT

(a) This is stated after charging:

	2000 £	*1999* £
Auditors' remuneration	10,340	10,640
Depreciation of owned tangible fixed assets	11,930	11,424
Depreciation of assets held under finance leases and hire purchase contracts	52,037	45,670
Operating lease rentals - plant and machinery	5,487	4,196
Amortisation of intangible fixed asset	16,500	16,500

(b) Reconciliation of operating profit to net cash inflow from operating activities.

	2000 £	*1999* £
Operating profit	1,585,594	984,355
Depreciation	63,967	57,094
Amortisation of intangible fixed asset	16,500	16,500
Increase in debtors	(854,638)	(277,151)
Increase in creditors	225,886	637,053
Net cash inflow from operating activities	1,037,309	1,417,851

4. DIRECTORS' REMUNERATION

	2000 £	*1999* £
Fees and remuneration	110,400	95,000
Other emoluments including estimated benefits in kind	37,612	16,086
	148,012	111,086

5. STAFF COSTS

	2000 £	*1999* £
Wages and salaries	590,815	538,186
Social security costs	71,639	61,289
Other pension costs	48,085	43,391
	710,539	642,866

The average weekly number of employees during the year was 14 (1999 - 14).

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NOTES TO THE ACCOUNTS
at 31 December 2000

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2000	*1999*
	£	£
Finance charges payable under finance leases and hire purchase contracts	33,434	23,335

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000	*1999*
	£	£
UK corporation tax	437,422	25,788
Deferred tax (note 14)	(9,893)	6,614
	427,529	32,402

8. INTANGIBLE FIXED ASSET

	£
Cost:	
At 1 January 2000 and 31 December 2000	165,000
Amortisation:	
At 1 January 2000	27,500
Provided during the year	16,500
At 31 December 2000	44,000
Net book value:	
At 31 December 2000	121,000
At 1 January 2000	137,500

The intangible asset represents compensation paid for the surrender of an exclusive licence and sub-licence agreement.

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NOTES TO THE ACCOUNTS
at 31 December 2000

9. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	*Computer equipment* £	*Motor vehicles* £	*Total* £
Cost:				
At 1 January 2000	9,761	116,609	257,208	383,578
Additions	2,059	11,177	60,868	74,104
Disposals	(775)	(307)	(78,681)	(79,763)
At 31 December 2000	11,045	127,479	239,395	377,919
Depreciation:				
At 1 January 2000	5,951	98,289	34,162	138,402
Provided during the year	1,432	10,498	52,037	63,967
Disposals	(323)	(108)	(33,407)	(33,838)
At 31 December 2000	7,060	108,679	52,792	168,531
Net book value:				
At 31 December 2000	3,985	18,800	186,603	209,388
At 1 January 2000	3,810	18,320	223,046	245,176

The net book value of motor vehicles includes an amount of £186,603 (1999 - £223,046) in respect of assets held under finance leases and hire purchase contracts.

10. DEBTORS

	2000 £	*1999* £
Trade debtors	1,589,829	767,641
Amounts owed by parent undertaking	13,873	9,137
Other debtors	27,811	46,177
Prepayments and accrued income	221,173	174,286
	1,852,686	997,241

11. ANALYSIS OF NET FUNDS

	At 1 January 2000 £	*Cash flow* £	*Other* £	*At 31 December 2000* £
Cash	76,286	(14,175)	-	62,111
Liquid resources	3,097,700	720,700	-	3,818,400
Finance lease obligations	(212,843)	94,978	(60,868)	(178,733)
	2,961,143	801,503	(60,868)	3,701,778

Cash and liquid resources are included in cash at bank and in hand on the balance sheet.

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12. CREDITORS: amounts falling due within one year

	2000 £	1999 £
Trade creditors	625,260	-
Obligations under finance leases and hire purchase contracts (note 13)	78,658	74,941
Amounts owed to parent undertaking	22,770	36,924
Corporation tax	51,238	16,688
Other taxes and social security costs	357,648	725,079
Accruals	102,277	120,066
	1,237,851	973,698

13. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these accounts is as follows:

	2000 £	1999 £
Amounts payable:		
within one year	89,762	86,775
in two to five years	103,742	148,708
	193,504	235,483
Less: finance charges allocated to future periods	(14,771)	(22,640)
	178,733	212,843

Finance leases and hire purchase contracts are analysed as follows:

Current obligations (note 12)	78,658	74,941
Non-current obligations	100,075	137,902
	178,733	212,843

Analysis of changes in finance leases and hire purchase contracts during the year:

	2000 £	1999 £
At 1 January	212,843	169,325
Inception of finance lease contracts	60,868	198,735
Disposal of assets under finance lease	(78,681)	(149,795)
Capital element of finance lease rental payments	(16,297)	(5,422)
At 31 December	178,733	212,843

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14. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax

	2000 £	*1999* £
At 1 January	9,893	3,279
Charge for the year	(9,893)	6,614
At 31 December	-	9,893

15. SHARE CAPITAL

	2000 No.	*1999* No.	*2000* £	*1999* £
Authorised:				
Ordinary shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000

	2000 No.	*1999* No.	*2000* £	*1999* £
Allotted, called up and fully paid:				
Ordinary shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	*Profit and loss account* £	*Total* £
At 1 January 1999	5,000,000	(2,589,605)	2,410,395
Profit for the year		1,022,015	1,022,015
At 31 December 1999	5,000,000	(1,567,590)	3,432,410
Profit for the year		1,293,249	1,293,249
At 31 December 2000	5,000,000	(274,341)	4,725,659

17. OTHER FINANCIAL COMMITMENTS

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	Plant and machinery *2000* £	*1999* £
Operating leases which expire:		
within one year	4,200	684
within two to five years	-	4,200
	4,200	4,884

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NOTES TO THE ACCOUNTS
at 31 December 2000

18. PENSION COMMITMENTS

The company operates two defined contribution pension schemes for its employees. The assets of the schemes are held separately from those of the company in an independently administered fund. There were no unpaid contributions at the year end.

19. RELATED PARTY TRANSACTIONS

The voting rights of the company are entirely controlled by the ultimate parent undertaking. As a result, the company has taken advantage of the exemptions available in Financial Reporting Standard No. 8 and has not disclosed transactions with entities which are part of the group in these accounts.

20. ULTIMATE PARENT UNDERTAKING

In the opinion of the directors, the ultimate parent undertaking is Chugai Pharmaceutical Co. Ltd, which is incorporated in Japan. The parent undertaking of the largest group which includes the company and for which group accounts are prepared is Chugai Pharmaceutical Co. Ltd. The parent undertaking of the smallest such group is Chugai Pharma Europe Ltd.

Accounts of the ultimate parent undertaking can be obtained from 1-9 Kyobashi 2-Chome, Chuo-Ku, Tokyo, Japan.

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