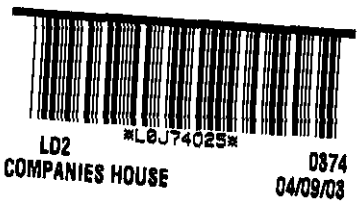
Chugai Pharma U.K. Ltd

Report and Financial Statements

31 December 2002

ERNST & YOUNG



Registered No: 2814621

Directors
J L S Halls
Y Hibino
H Izumoto
Y Uchikura

Secretary
Y Saito

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

Bankers
Sumitomo Mitsui Banking Corporation
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

Directors' report

The directors present their report and financial statements for the year ended 31 December 2002.

Results and dividends

The profit for the year, after taxation, amounted to £593,974 (2002 - £490,771).

The directors do not recommend the payment of any dividends.

Principal activities and review of the business

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

On 30 September 2002, the immediate parent undertaking, Chugai Pharma Europe Ltd. disposed of the company to another group company, Chugai Pharma Marketing Ltd.

Research and development

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

Directors

The directors who served the company during the year were as follows:

M Saito	(Resigned 1 January 2003)
J L S Halls	
Y Hibino	
H Izumoto	
N Nakamura	(Resigned 1 January 2003)
Y Uchikura	
T Ogasawara	(Resigned 27 June 2002)

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

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

Secretary

Yoshimasa Saito

28 AUG 2003

ERNST & YOUNG

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements 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 year. In preparing those 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; 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements 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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Independent auditors' report

to the members of Chugai Pharma U.K. Ltd

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 20. These financial statements have been prepared on the basis of 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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements 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.

ERNST & YOUNG

Independent auditors' report

to the members of Chugai Pharma U.K. Ltd (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

- 1 SEP 2003

Profit and loss account

for the year ended 31 December 2002

	Notes	2002 £	2001 £
Turnover	2	6,086,509	5,062,953
Cost of sales		3,287,618	2,662,549
Gross profit		2,798,891	2,400,404
Operating costs		(2,135,651)	(1,924,223)
Other operating income		72,238	45,433
Operating profit	3	735,478	521,614
Interest receivable and similar income		169,769	215,591
Interest payable and similar charges	6	(18,666)	(10,112)
Profit on ordinary activities before taxation		886,581	727,093
Tax on profit on ordinary activities	7	292,607	236,322
Profit retained for the financial year		593,974	490,771

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £593,974 attributable to the shareholders for the year ended 31 December 2002 (2001 - £490,771).

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Balance sheet
at 31 December 2002

	Notes	2002 £	2001 £
Fixed assets			
Intangible assets	8	88,000	104,500
Tangible assets	9	236,627	198,840
		324,627	303,340
Current assets			
Debtors	10	2,329,965	792,113
Cash at bank		4,640,966	4,621,077
		6,970,931	5,413,190
Creditors: amounts falling due within one year	11	1,343,204	456,979
Net current assets		5,627,727	4,956,211
Total assets less current liabilities		5,952,354	5,259,551
Creditors: amounts falling due after more than one year	12	141,950	43,121
		5,810,404	5,216,430
Capital and reserves			
Called up share capital	15	5,000,000	5,000,000
Profit and loss account	16	810,404	216,430
Equity shareholders' funds	16	5,810,404	5,216,430

Director

28 AUG 2003

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Statement of cash flows
for the year ended 31 December 2002

	Notes	2002 £	2001 £
Net cash inflow from operating activities	17 (a)	155,257	827,651
Returns on investments and servicing of finance	17 (b)	151,103	205,479
Taxation	17 (c)	(220,571)	(214,682)
Capital expenditure and financial investment	17 (d)	79,293	6,794
Management of liquid resources	17 (e)	350,000	(681,600)
Financing	17 (f)	(145,193)	(84,676)
Increase in cash		369,889	58,966

Reconciliation of net cash flow to movement in net funds

		2002 £	2001 £
Increase in cash		369,889	58,966
Cash outflow from decrease in lease financing		145,193	84,676
Cash (inflow)/outflow from movement in liquid resources		(350,000)	681,600
Change in net funds	17 (g)	165,082	825,242
New finance leases	17 (g)	(187,679)	(61,980)
Movement in net funds		(22,597)	763,262
Net funds at 1 January	17 (g)	4,465,040	3,701,778
Net funds at 31 December	17 (g)	4,442,443	4,465,040

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Notes to the financial statements
at 31 December 2002

1. Accounting policies

Basis of preparation

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

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

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

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

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.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

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Notes to the financial statements
at 31 December 2002

1. Accounting policies (continued)

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 in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

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

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.

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.

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.

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Notes to the financial statements
at 31 December 2002

3. Operating profit

This is stated after charging:

	2002 £	2001 £
Auditors' remuneration - audit services	10,971	10,548
Depreciation of owned fixed assets	14,431	11,711
Depreciation of assets held under finance leases	56,168	54,023
	70,599	65,734
Amortisation of intangible fixed asset	16,500	16,500
	87,099	82,234
Operating lease rentals - plant and machinery	2,716	4,810

4. Staff costs

	2002 £	2001 £
Wages and salaries	681,337	594,837
Social security costs	82,647	74,102
Other pension costs	58,243	54,385
	822,227	723,324

The average weekly number of employees during the year was as follows:

	2002 No.	2001 No.
Staff	14	14

5. Directors' emoluments

	2002 £	2001 £
Wages and salaries	129,600	115,000
Social security costs	16,570	18,649
	146,170	133,649
Value of company pension contributions to money purchase schemes	21,600	20,000

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Notes to the financial statements
at 31 December 2002

6. Interest payable and similar charges

	2002 £	2001 £
Finance charges payable under finance leases and hire purchase contracts	18,666	10,112

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2002 £	2001 £
Current tax:		
UK corporation tax	292,607	247,581
Tax over provided in previous years	–	(11,259)
Total current tax (note 7(b))	292,607	236,322

(b) Factors affecting current tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before taxation	886,581	727,093
Profit on ordinary activities by rate of tax	265,974	218,128
Expenses not deductible for tax purposes	33,004	27,819
(Accelerated)/decelerated capital allowances	(6,371)	1,634
Adjustments to tax charge in respect of previous years	–	(11,259)
Total current tax (note 7(a))	292,607	236,322

(c) Deferred tax

The deferred taxation asset not recognised in the accounts is as follows:

	2002 £	2001 £
Decelerated capital allowances	10,085	16,456

The deferred tax asset has not been recognised on the basis of it being deemed not material to the financial statements.

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Notes to the financial statements
at 31 December 2002

8. Intangible fixed assets

	Intangibles £
Cost:	
At 1 January 2002 and 31 December 2002	165,000
Amortisation:	
At 1 January 2002	60,500
Provided during the year	16,500
At 31 December 2002	77,000
Net book value:	
At 31 December 2002	88,000
At 1 January 2002	104,500

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

9. Tangible fixed assets

	Fixtures and fittings £	*Motor vehicles* £	*Computer equipment* £	*Total* £
Cost:				
At 1 January 2002	12,815	250,266	51,622	314,703
Additions	3,300	187,679	3,048	194,027
Disposals	(508)	(188,286)	(2,418)	(191,212)
At 31 December 2002	15,607	249,659	52,252	317,518
Depreciation:				
At 1 January 2002	6,917	89,209	19,737	115,863
Provided during the year	2,685	56,168	11,746	70,599
Disposals	(248)	(103,713)	(1,610)	(105,571)
At 31 December 2002	9,354	41,664	29,873	80,891
Net book value:				
At 31 December 2002	6,253	207,995	22,379	236,627
At 1 January 2002	5,898	161,057	31,885	198,840

The net book value of assets above includes an amount of £207,995 (2001 - £161,057) in respect of assets held under finance leases and hire purchase contracts.

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Notes to the financial statements
at 31 December 2002

10. Debtors

	2002 £	2001 £
Trade debtors	2,246,099	738,120
Amounts owed by parent undertaking	27,456	9,669
Other debtors	6,713	11,600
Prepayments and accrued income	49,697	32,724
	2,329,965	792,113

11. Creditors: amounts falling due within one year

	2002 £	2001 £
Obligations under finance leases and hire purchase contracts (note 13)	56,573	112,916
Trade creditors	686,535	74,333
Amounts owed to parent undertaking	33,236	20,117
Corporation tax	144,914	72,878
Other taxation and social security	325,129	80,526
Accruals and deferred income	96,817	96,209
	1,343,204	456,979

12. Creditors: amounts falling due after more than one year

	2002 £	2001 £
Obligations under finance leases (note 13)	141,950	43,121

13. Obligations under finance leases

The maturity of these amounts is as follows:

	2002 £	2001 £
Amounts payable:		
Within one year	66,810	118,204
In two to five years	148,668	45,761
	215,478	163,965
Less: finance charges allocated to future periods	(16,955)	(7,928)
	198,523	156,037
Finance leases are analysed as follows:		
Current obligations (note 11)	56,573	112,916
Non-current obligations (note 12)	141,950	43,121
	198,523	156,037

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Notes to the financial statements
at 31 December 2002

13. Obligations under finance leases (continued)

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

	2002 £	*2001* £
At 1 January	156,037	178,733
Inception of finance lease contracts	187,679	61,980
Disposal of assets under finance lease	(93,486)	(51,109)
Capital element of finance lease rental payments	(51,707)	(33,567)
At 31 December	198,523	156,037

14. Commitments under operating leases

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Plant and machinery	
	2002 £	*2001* £
Operating leases which expire:		
Within one year	–	1,196
In two to five years	1,453	1,453
	1,453	2,649

15. Share capital

	Authorised	
	2002 £	*2001* £
Ordinary shares of £1 each	5,000,000	5,000,000

	Allotted, called up and fully paid			
	2002		*2001*	
	No.	£	*No.*	£
Ordinary shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000

16. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	*Profit and loss account* £	*Total share-holders' funds* £
At 1 January 2001	5,000,000	(274,341)	4,725,659
Profit for the year	–	490,771	490,771
At 31 December 2001	5,000,000	216,430	5,216,430
Profit for the year	–	593,974	593,974
At 31 December 2002	5,000,000	810,404	5,810,404

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Notes to the financial statements
at 31 December 2002

17. Notes to the statement of cash flows

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

	2002 £	*2001* £
Operating profit	735,478	521,614
Depreciation	70,599	65,734
Amortisation of goodwill	16,500	16,500
(Increase)/decrease in debtors	(1,537,852)	1,060,573
Increase/(decrease) in creditors	870,532	(836,770)
Net cash inflow from operating activities	155,257	827,651

(b) Returns on investments and servicing of finance

	2002 £	*2001* £
Interest received	169,769	215,591
Interest element of finance leases rentals payments	(18,666)	(10,112)
	151,103	205,479

(c) Taxation

	2002 £	*2001* £
Corporation tax paid	(220,571)	(214,682)

(d) Capital expenditure

	2002 £	*2001* £
Payments to acquire tangible fixed assets	(6,348)	(30,156)
Receipts from sales of tangible fixed assets	–	3,447
Consideration for termination of finance leases	85,641	33,503
	79,293	6,794

(e) Management of liquid resources

	2002 £	*2001* £
Purchase of liquid resources	(65,095,000)	(66,700,600)
Sale of liquid resources	65,445,000	66,019,000
	350,000	(681,600)

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Notes to the financial statements
at 31 December 2002

17. Notes to the statement of cash flows (continued)

(f) Financing

	2002 £	*2001* £
Repayment of capital element of finance leases	(145,193)	(84,676)

(g) Analysis of changes in net funds

	At 1 January 2002 £	*Cash flows* £	*Other* £	*At 31 December 2002* £
Cash	121,077	369,889	-	490,966
Cash at bank and in hand	4,500,000	(350,000)	-	4,150,000
Finance leases	(156,037)	145,193	(187,679)	(198,523)
	4,465,040	165,082	(187,679)	4,442,443

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

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 financial statements.

20. Ultimate parent company

In the opinion of the directors, the ultimate parent undertaking is Roche Holding Ltd, which is incorporated in Switzerland. The parent undertaking of the largest group which includes the company and for which group financial statements are prepared is Chugai Pharmaceutical Co. Ltd., a company incorporated in Japan. The parent undertaking of the smallest such group is Chugai Pharma Marketing Ltd.

Financial statements of the ultimate parent undertaking can be obtained from Grenzacherstrasse 124, CH-4070 Basel, Switzerland.

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