Chugai Pharma UK Limited

Annual Report and Financial Statements

31 December 2016

Registered No. 2814621

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COMPANIES HOUSE

Directors

R Currie
J L S Halls
K Nishikawa
M Tohaya (Resigned 1 April 2016)
K Susumu (Appointed 1 April 2016)

Secretary

N Tatematsu

Auditor

KPMG LLP
15 Canada Square
London E14 5GL

Bankers

Sumitomo Mitsui Banking Corporation Europe Ltd
99 Queen Victoria Street
London EC4V 4EH

Solicitors

Clifford Chance LLP
200 Aldersgate Street
London EC1A 4JJ

Registered Office

Mulliner House
Flanders Road
Turnham Green
London W4 1NN

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Strategic Report

Review of business

The principal activity of the Company is the sales and marketing of pharmaceutical products in the UK and Ireland. During the year the Company maintained profitability and the Company has made a profit for the full year. We forecast this to be the case for the foreseeable future.

The Company operates in two main therapy areas; Haemato-Oncology and Rheumatology. The lifecycle of the Company's Haemato-Oncology G-CSF product Granocyte is such that it faces intense competition from biosimilar competitors. However, volumes continue to remain relatively stable, whilst their sales value has decreased.

In January 2015 Aloxi® was relaunched in the UK and in September 2015 Akynzeo® was launched in the UK, with a subsequent launch in Ireland on 1 December 2015. Both products were in-licenced from Helsinn Pharma in 2014. Both products are used for the prevention of Chemotherapy-Induced Nausea and Vomiting (CINV).

Chugai Pharma Europe Ltd, the Company's immediate parent Company has signed agreements to market a further two additional products within certain EU countries. Chugai Pharma UK Ltd will promote these products in the UK and Ireland. One of these products was not granted regulatory approval in July 2017 and we are working with business partners on a revised regulatory plan. The other product is currently in the EMA regulatory review process.

Roche UK has launched Alecensa®, used for the treatment of adult patients with Anaplastic Lymphoma Kinase (ALK)-positive advanced non-small cell lung cancer. Chugai will provide a promotion service from September 2017.

Roche, in collaboration with Chugai, have filed for the marketing authorisation of emicizumab for the treatment of Haemophilia A.

Chugai, along with Roche UK, continue to promote RoActemra in the UK for Rheumatoid Arthritis. In April 2014, approval was received from the European Commission for the subcutaneous formulation of RoActemra. This approval makes RoActemra the first anti IL-6 receptor biologic available as subcutaneous and intravenous (IV) formulations for both monotherapy and combination therapy with methotrexate (MTX). In 2015, we saw a full year on growth in sales impact of the subcutaneous formulation. Growth of the subcutaneous formulation was through a mixture of new patients and patients who switched from the IV formulation. Overall the Company increased its market penetration in 2016 and expects this to increase further in 2017.

The Company received a positive National Institute of Health and Clinical Excellence ('NICE') recommendation for third line biologic use of RoActemra in Rheumatoid Arthritis in August 2010. This was reviewed in February 2012 to recommend RoActemra as a first line combination biologic option. In 2011 RoActemra was granted a licence for and recommended by NICE for use in sJIA (systemic Juvenile Idiopathic Arthritis).

The Company received a positive NICE recommendation as a monotherapy biologic option in November 2015. This was subsequently appealed and the appeal overruled in February 2016. This has contributed to the increased market penetration in 2016 and we expect 2017 to grow also.

In 2015 and 2016, the first biosimilar and competitor branded anti-IL6 treatments were launched for the treatment of rheumatoid arthritis. There will be further treatments launched in the near future and we are monitoring the situation closely.

In July 2017 RoActemra received a CHMP positive opinion for use in Giant Cell Arthritis as an additional indication.

Strategic Report

Financial overview

The company's key financial performance indicators during the year were as follows:

	2016	2015	Change
	£	£	%
Turnover	18,187,974	15,070,261	20.7
Profit/(loss) after tax	3,414,077	2,722,469	25.4
Shareholder's funds	11,457,492	8,014,829	43.0
Net current assets	11,493,667	8,079,590	42.3

Turnover has increased by 20.7% compared to 2015. Of this increase 80.1% is attributable to increased RoActemra commissions. Of the increase 25.0% is attributable to sales of the Aloxi® and Akynzeo® products that were launched in 2015. A reduction of 5.1% is a result of Granocyte products. Antepsin has remained out of stock for the whole year. This increased turnover has resulted in an increased operating profit of 213.6% for the year, from 2015.

Profit after tax has increased 25.4% and operating expenses has decreased by less than 0.1%.

The Company has improved its financial position with shareholders' funds of £11.5m compared to £8.1m in 2015 and net current assets of £11.5m compared to £8.0m in 2015. The increase in net current assets is attributable to increases in cash and short term investments, debtors and creditors.

As the Company is profitable and we expect this to continue, a deferred tax asset has been recognised and the decrease in that balance. This makes up the remaining movement in shareholders' funds.

Strategy

The Company strategy is to improve turnover and profitability. In order to achieve this resource is being focused on launch readiness of new products in the Haemato-Oncology therapy area and growing the Rheumatology market share.

Risks and uncertainties

The Company operates within the pharmaceutical industry which is subject to stringent regulations. Failure to comply can result in serious consequences including suspension or termination of Marketing Authorisations. Management addresses this by ensuring that all employees are trained and kept fully updated on changes to any regulations. Internal audits and reviews are conducted to satisfy management that the company remains fully compliant and is able to minimise risk.

The Company is also subject to price and usage risk as a result of the government's legislation on NICE approvals and the Pharmaceutical Price Regulation Scheme (PPRS). Management addresses this through a process of robust product lifecycle management.

Strategic Report

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are:

Brexit

The EU Referendum vote result has created some uncertainty albeit with no material impact to date. The Company purchases product in Euros from its immediate parent Company and the reduced Euro/GBP exchange rate has had some impact. The Company continues to monitor ongoing discussions and news in relation to the future impact on the regulatory approval process for medical products and the import of pharmaceuticals to the UK. Under current World Trade Organisation rules pharmaceuticals do not incur an import tariff. The other area the Company continues to monitor is the impact on employment of individuals form the EU but does not anticipate an impact on existing staff.

Competitive risks

Biosimilar G-CSF products were introduced into the UK market in 2009 and these have an impact on financial performance of our G-CSF product Granocyte both now and in the future. The introduction of biosimilar products in RoActemra and launch of branded competitor IL-6 products may impact our financial performance in the future.

Legislative risks

In the UK, new product launches and some existing products need to obtain approval for use within the National Health Service ('NHS') by NICE. New products have to demonstrate to NICE that they are cost effective and represent a value for money for the NHS. The recommendation for a product by NICE strongly impacts the financial performance and position of both product and Company.

Pricing risks

Product prices are governed by the Department of Health guidelines established through the Price Protection Regulation Scheme ('PPRS'). The pricing of the products agreed under the PPRS Scheme may influence the financial performance of the Company based on the product price agreed.

By order of the Board

R Currie

Director

22 September 2017

Directors' report

The directors present their report and financial statements for the year ended 31 December 2016.

Business update

The company has continued to participate in sales and marketing of its existing products and is preparing for future product launches in order to enhance its position in the pharmaceuticals industry.

Going concern

The Company's business activities, together with the factors likely to affect its future development and its financial position are described in the Strategic report.

The Company has access to considerable group financial resources and long term distribution agreements for existing products across the UK and Ireland. The Company has an established product base and is preparing for further future product launches. The Company maintained profitability and cash generation during 2016 and at 31 December 2016 cash and short term deposits were £7,877,994 (2015: £5,667,371). The current business plan expects further profits and cash generation in 2017 in order to support the business and in addition the Company continues to maintain the agreed intra-group loan facility of £3,000,000 to support the anticipated expenditure on ongoing new product launch costs.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors

The directors who served the Company during the year and were as follows:

R Currie
J L S Halls
K Nishikawa
M Tohaya (Resigned 1 April 2016)
K Susumu (Appointed 1 April 2016)

Charitable Donations

The Company made a charitable donation of £631 during the year ended 31 December 2016 (2015; £nil).

Disclosure of information to the 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 auditor is unaware; and each director has taken all the steps that one ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' report

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



R Currie
Director
22 September 2017

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the Financial statements for the year ended 31 December 2016

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 Chugai Pharma UK Limited

We have audited the financial statements of Chugai Pharma UK Ltd for the year ended 31 December 2016 set out on pages 11 to 23. 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 8, 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.

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 December 2016 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 matters 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 the 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 Chugai Pharma UK 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.

George Richards

George Richards (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

United Kingdom

22 September 2017

Profit and Loss Account

for year ended 31 December 2016

	Notes	2016 £	2015 £
Turnover	2	18,187,974	15,070,261
Cost of sales		(2,699,936)	(2,317,792)
Gross profit		15,488,038	12,752,469
Distribution costs		(207,726)	(177,879)
Administrative expenses		(11,197,371)	(11,272,782)
Operating profit		4,082,941	1,301,808
Interest receivable	6	22,028	17,795
Profit on before taxation		4,104,969	1,319,603
Tax (expense)/credit	7	(690,892)	1,402,866
Profit for the financial year		3,414,077	2,722,469

Balance Sheet

at 31 December 2016

	Notes	2016 £	2015 £
Fixed assets			
Intangibles	8	-	-
Tangible assets	9	36,175	64,761
		36,175	64,761
Current assets			
Stocks	10	671,019	368,649
Debtors (including £719,939 (2015:£1,406,425) due after more than one year)	11	9,013,791	7,900,464
Short-term investments		7,704,000	5,583,294
Cash at bank		173,994	84,077
		17,562,804	13,936,484
Creditors: amounts falling due within one year	12	(6,105,312)	(5,921,655)
Net current assets		11,457,492	8,014,829
Net assets		11,493,667	8,079,590
Capital and reserves			
Called up share capital	15	16,000,000	16,000,000
Profit and loss account		(4,506,333)	(7,920,410)
Shareholders' funds		11,493,667	8,079,590

The accompanying notes on pages 14 to 23 form part of the financial statements.
The financial statements were approved by the Board of Directors on 22 September 2017 and signed on its behalf by:



R Currie
Director
22 September 2017

Registered No. 2814621

Statement in changes of equity

for year ended 31 December 2016

	Called up Share capital £	*Profit and loss account* £	*Total equity* £
At 1 January 2015	16,000,000	(10,642,879)	5,357,121
Profit for the year	-	2,722,469	2,722,469
At 31 December 2015	16,000,000	(7,920,410)	8,079,590
Profit for the year	-	3,414,077	3,414,077
At 31 December 2016	16,000,000	(4,506,333)	11,493,667

Notes to the financial statements

at 31 December 2016

1. Accounting policies

Chugai Pharma UK Ltd (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 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 the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Roche Holdings AG includes the Company in its consolidated financial statements. The consolidated financial statements of Roche Holdings AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Grenzacherstrasse 124, CH-4070 Basel, Switzerland.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements .

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and no estimates with a significant risk of material adjustment in the next year have been identified.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The Company has access to considerable group financial resources and long term distribution agreements for existing products across the UK and Ireland. The Company has an established product base, launched two additional in-licence products during 2015 and is preparing for four further future product launches. The Company maintained profitability and cash generation during 2016 and at 31 December 2016 cash and short term deposits were £7,877,994 (2015: £5,667,371). The current business plan expects further profits and cash generation in 2017 in order to support the business and in addition the Company continues to maintain the agreed intra-group loan facility of £3,000,000 to support the anticipated expenditure on ongoing new product launch costs.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Notes to the financial statements

at 31 December 2016

1.4 Marketing rights

The marketing rights represent 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 on an annual basis thereafter.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

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. The estimated useful lives are as follows:

- Computer equipment 4 years
- fixtures and fittings 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

1.7 Short-term investments

Short-term investments is cash held on short-term time deposit earning a fixed amount of interest.

1.8 Turnover recognition

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods from the distributor.

1.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes to the financial statements

at 31 December 2016

1.10 Expenses

Operating leases payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable

Interest receivable and similar income include interest receivable on funds invested.

Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Dividend income

Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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 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.

Notes to the financial statements

at 31 December 2016

2. Turnover

Turnover, which is stated net of value added tax, represents sale of goods invoiced to third parties and commissions received from a related party and is attributable to one continuing activity, as stated in the Directors' report.

	2016	*2015*
	£	£
Sale of goods	6,394,807	5,769,856
Commissions	11,793,167	9,300,405
Total turnover	18,187,974	15,070,261

An analysis of turnover by geographical market is given below:

	2016	*2015*
	£	£
United Kingdom	17,863,542	14,794,467
Republic of Ireland	324,432	275,794
	18,187,974	15,070,261

3. Expenses and auditor's remuneration

	2016	*2015*
	£	£
Audit of these financial statements	32,960	32,000
Amounts receivable by the Company's auditor and its associates in respect of:		
– tax advisory services	4,965	4,820
	37,925	36,820

4. Directors' remuneration

	2016	*2015*
	£	£
Directors' remuneration	169,561	160,207
Excess retirement benefits over original entitlement	12,560	9,798
	182,121	170,005

The aggregate of remuneration and defined pension contributions amounts of the highest paid director was £169,561 (2015: £160,207), and £12,560 (2015: £9,798), respectively.

Notes to the financial statements

at 31 December 2016

5. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Administration	4	5
Sales and marketing	39	38
Clinical	5	4
Total	48	47

The aggregate payroll costs of these persons were as follows;

	2016	2015
	£	£
Wages and salaries	3,148,363	2,994,021
Social security costs	314,337	302,582
Contributions to defined contribution plans	244,073	172,051
	3,706,773	3,468,654

6. Other interest receivable and similar income

	2016	2015
	£	£
Bank interest receivable	22,028	17,795

7. Taxation

Recognised in the profit and loss account

	2016	2015
	£	£
UK corporation tax		
Current tax on income for the period	4,406	3,559
Double tax relief	-	-
Total current tax	4,406	3,559
Deferred tax (see note 13):		
Origination and reversal of temporary differences	686,486	(1,406,425)
Total deferred tax credit	686,486	(1,406,425)
Tax (expense)/credit on profit	690,892	(1,402,866)

Notes to the financial statements

at 31 December 2016

Reconciliation of effective tax rate

The tax expense in the profit and loss for the year is lower than the standard rate of corporation tax in the UK of 20.25% (2015: 20.25%). The differences are reconciled below:

	2016 £	2015 £
Profit/(loss) for the year	4,104,969	1,319,603
Tax using the UK corporation tax rate of 20.0% (2015: 20.25 %)	820,994	267,220
Non-deductible expenses	21,451	22,435
Deferred tax rate difference	(114,351)	157,528
Deferred tax not previously recognised	(37,202)	(1,850,049)
Group relief	-	-
Total tax credit	690,892	(1,402,866)

c) Change in Corporation Tax rate

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 1 April 2020) was substantively enacted on 6 September 2016.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates

8. Intangible assets

	Marketing rights £
Cost:	
Balance at 1 January 2016	248,876
Acquisitions	-
Balance at 31 December 2016	248,876
Amortisation:	
Balance at 1 January 2016	248,876
Amortisation for the year	-
Balance at 31 December 2016	248,876
Net book value:	
At 1 January 2016	-
At 31 December 2016	-

Included within costs are the following:
£248,876 representing compensation paid for the exclusive marketing rights of Granocyte in Ireland.

Notes to the financial statements

at 31 December 2016

9. Tangible fixed assets

	Fixtures and fittings £	*Computer equipment* £	*Total* £
Cost:			
Balance at 1 January 2016	34,548	281,602	316,150
Other acquisitions	-	2,604	2,604
Disposals	(3,345)	(76,603)	(79,948)
Balance at 31 December 2016	31,203	207,603	238,806
Depreciation:			
Balance at 1 January 2016	28,142	223,247	251,389
Depreciation charge for the year	3,651	27,206	30,857
Disposals	(3,345)	(76,270)	(79,615)
Balance at 31 December 2016	28,448	174,183	202,631
Net book value:			
At 1 January 2016	6,406	58,355	64,761
At 31 December 2016	2,755	33,420	36,175

10. Stocks

	2016 £	2015 £
Finished goods	671,019	368,649

Finished goods recognised as cost of sales in the year amounted to £2,699,*936* (2015: £2,317,792)

11. Debtors

	2016 £	2015 £
Trade debtors	1,505,593	1,202,778
Amounts owed by group undertakings	6,568,453	5,157,210
Other debtors	11,109	1,363
Deferred tax assets (see note 13)	719,939	1,406,425
Prepayments and accrued income	208,697	132,688
Due within one year	8,293,852	6,494,039
Due after more than one year	719,939	1,406,425

Notes to the financial statements

at 31 December 2016

12. Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	571,058	336,158
Amounts owed to group undertakings	4,543,778	3,446,315
Taxation and social security costs	347,617	341,285
Accruals and deferred income	642,859	1,797,897
Due within one year	6,105,312	5,921,655

13. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	£	£	£	£	£	£
Tax value of loss carry-forwards	(719,939)	(1,406,425)	-	-	(719,939)	(1,406,425)
Tax (assets) / liabilities	(719,939)	(1,406,425)	-	-	(719,939)	(1,406,425)
Net tax (assets) / liabilities	(719,939)	(1,406,425)	-	-	(719,939)	(1,406,425)

At the balance sheet date, the company has unused tax losses of £3,597,441 (2015:£7,813,470) available for offset against future profits. A deferred tax asset has been recognised in respect of £719,939 (2015: £1,406,425) of such losses.

Movement in deferred tax during the year

	1 January 2016	Recognised in income	Recognised in equity	31 December 2016
	£	£	£	£
Tax value of loss carry-forwards	(1,406,425)	686,486	-	(719,939)

Movement in deferred tax during the prior year:

	1 January 2015	Recognised in income	Recognised in equity	31 December 2015
	£	£	£	£
Tax value of loss carry-forwards	-	(1,406,425)	-	(1,406,425)

Notes to the financial statements

at 31 December 2016

14. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Plant and machinery	
	2016	2015
	£	£
Less than one year	85,789	80,475
Between two and five years	49,407	72,940
More than five years	-	-
	135,196	153,415

The Company leases a number of vehicles under operating leases. During the year £96,443 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £51,806)

15. Issued share capital

	2016	2015
No of shares	16,000,000	16,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

	£	£
Allotted, called up and fully paid		
Ordinary shares of £1.00 each	16,000,000	16,000,000

16. Employee benefits

The Company operates a defined contribution pension plan for its employees. The assets of the plan are held separately from those of the Company in an independently administered fund. The total expense relating to this plan in the current year was £244,073 (2015: £172,051).

17. Related party transactions

The Company has taken advantage of the exemptions available in Financial Reporting Standard No. 101.8(k) and has not disclosed transactions with entities which are part of the Chugai Pharmaceutical Co Ltd and Chugai Pharma Europe Limited group in these financial statements.

During the year, the Company entered into transactions, in the ordinary course of business with another group company in the Roche Holdings AG group, namely with Roche Products Ltd. In 2016, the Company did enter into transactions in the ordinary course of business with another group company and trading balances as at 31 December are as follows:

	Sales to		*Administrative expenses incurred from*	
	2016	2015	2016	2015
	£	£	£	£
Sales to Roche Products Ltd	-	-	80,963	-

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at 31 December 2016

18. Ultimate parent company and controlling party

The Company is a subsidiary undertaking of Roche Holdings AG, Konzern Hauptsitz, Grenzacherstrasse 124, CH-4070 Basel, Switzerland which is the ultimate parent company incorporated in Switzerland. The ultimate controlling party is Roche Holdings AG.

The largest group in which the results of the Company are consolidated is that headed by Roche Holdings AG, incorporated in Switzerland. The smallest group in which they are consolidated is that headed by Chugai Pharmaceutical Co.Ltd. 1-1 Nihonbashi-Muromachi 2-Chome, Chuo-ku, Tokyo, a company incorporated in Japan. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from Grenzacherstrasse 124, CH-4070 Basel, Switzerland.