

Chiesi Healthcare Limited

Annual report and financial statements

Registered number 03297174

For the year ended 31 December 2018

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Strategic Report

Business Review

Chiesi Healthcare Limited (“the company”) is the parent company of Chiesi Limited, and is owned by Chiesi Farmaceutici SpA.

The company does not carry out any operating activities and its role is to act as the holding company for the UK Group structure receiving dividends when appropriate from its UK subsidiary and paying dividends to its ultimate parent company, Chiesi Farmaceutici SpA.

Other than dividends receivable and payable of £9.6m (2017: £6.8m), there are no revenues or expenses.

The company does not have any employees.

As part of a larger UK Group the directors are satisfied with the role and results of the company but are aware that the situation of the operational subsidiaries has a consequence on the position of the company. As the company does not carry out any operating activities, it has no main key financial performance indicators

Principal risks & uncertainties

The key risks and uncertainties facing the Group and therefore also the company are:

- Economic, political and market conditions, such as Government imposed pricing regulations or taxation policy, can adversely affect our revenue growth and profitability as was evidenced during 2014 with the introduction of the new PPRS. This requires a payment to be made quarterly to the Department of Health based on an annual percentage of sales of branded medicines to the NHS. The percentage has fluctuated significantly over the course of the PPRS (requiring a payment of 3.74% in 2014, 10.36% in 2015, 7.8% in 2016, 4.75% in 2017 and finally 7.8% in 2018). The fluctuation of PPRS rates makes planning with predictability quite difficult and also PPRS payments could still have significant impact on our ability to grow and choices of investments. The continuing reform to the NHS and its subsequent restructure and continued focus on cost-containment is a current area of uncertainty for the Pharma industry as a whole.
- One key area of uncertainty is the “Brexit” situation where the UK is planned to leave the European Union on 29 March 2019. Economic uncertainty arises as there could be financial consequences through increased costs such as supply chain and regulatory activities. In addition foreign exchange rate movements can impact on import and export of products through parallel trade activity and “Brexit” could influence this situation.
- Since the result of the “Brexit” referendum on 23rd June 2016 the directors have continued to closely monitor the possible consequences on the business. During 2018 the directors have worked closely with other members of the Chiesi Group to plan for future scenarios of the “Brexit” situation. All aspects of the business were considered and they do not consider that operations or results have been significantly affected by “Brexit” during 2018. Looking ahead, the directors do not consider that operations will be adversely impacted during 2019 but will plan to increase stock levels in the first 9 months of the year before phasing back to normal levels and will continue to monitor the situation during the next year making assessments on potential impact and considering any necessary changes to financial projections or business operations in connection with “Brexit”.
- The exact timing of our sales pipeline developments and approval of new products and any line extensions to existing products are difficult to predict and control, which can have the effect of causing significant delays in the sales cycle.
- We supply products in a competitive, cost-conscious pharmaceutical market which is subject to rapid changes in prescribing trends. The company continues to invest in product development to maintain a competitive position in the market; however the development of the market could result in significant new competition emerging which could have an adverse effect on the company’s business.
- As a result of changes in the competitive landscape competitors may launch less-expensive equivalent alternative products and we may have to change our pricing models to compete successfully, which could involve price reductions which would adversely affect our revenue or profitability.

Strategic Report *(continued)*

Going concern

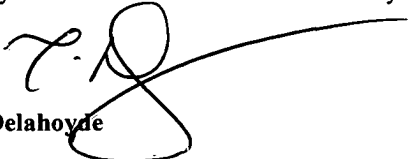
The company's business activities, together with the factors likely to affect its future development, performance and position are noted above.

The UK company is part of the Chiesi Farmaceutici SpA group based in Parma, Italy, whose parent group has considerable financial resources and has affirmed that the UK group operations remain an important part of Group strategies for growth. This access to internal financial support, by way of a cash pooling facility, is reinforced by a strong relationship with external banks and provides a robust financial platform to manage operations effectively.

The directors consider that the group has an established heritage and good reputation enabling positive ethical relationships with a number of NHS bodies across different geographic areas. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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 financial statements. As at 31 December 2018 the company has a net current liability position of £689k but an overall net asset position of £6,364k, the financial statements have been prepared on a going concern basis as the ultimate parent company has pledged its ongoing continued support.

Approved by the board and issued on its behalf by:


Thomas Delahoyde
Director

333 Styal Road
Manchester
M22 5LG

12 March 2019

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Principal activities and future developments

The company acts as an intermediate holding company. There are no revenues or expenses and the only income and expenditure is in respect of dividends receivable and payable.

The directors expect that the UK group will continue to increase revenue and profitability by launching new products from its ultimate parent company pipeline, and therefore increase the potential for increased dividends receivable by the company.

Events post year end

There have been no important events post the end of the financial year that require disclosure.

Statement of compliance

To comply with the Companies Act 2006, the company provides, in the Strategic Report, a review of the development and performance of the business during the year and a description of the principal risks and uncertainties facing the company.

The business review contains forward looking statements and opinions that involve risks and uncertainties. These risks and uncertainties could cause our results to differ materially from our expectations. The principal risk factors are discussed more in the Strategic Report.

Proposed dividends and transfer to reserves

Dividends paid during the year comprise a final dividend in respect of the year ended 31 December 2018 of £9,618,000 (2017: £6,800,000) representing £15.00 per share (2017: £10.61 *per share*). No dividend has been proposed since the year end.

Directors

The directors who held office during the year and thereafter were as follows:

Thomas Delahoyde
Alberto Chiesi
Marco Vecchia
Danilo Piroli
Paolo Chiesi
Andrew Dickinson
Michael Dixon
Ugo Di Francesco
Alessandro Chiesi

Directors Third Party Indemnity Provisions

The company has made no third party indemnity provisions for the benefit of its directors in the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that:

- so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

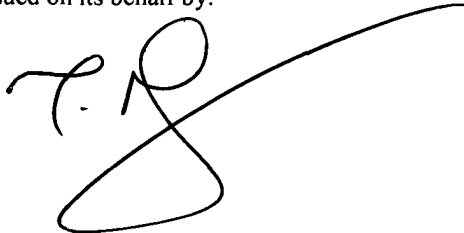
Directors' Report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and Deloitte LLP will therefore continue in office.

Approved by the board and issued on its behalf by:

Thomas Delahoyde
Director
12 March 2019

A large, stylized handwritten signature in black ink, consisting of a large loop and a long horizontal stroke extending to the right.

333 Styal Road
Manchester
M22 5LG

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgments and accounting 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 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.

Independent auditor's report to the members of Chiesi Healthcare Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Chiesi Healthcare Limited (the 'company') which comprise:

- the statement of profit and loss and other comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 7.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independent auditor's report to the members of Chiesi Healthcare Limited
(continued)

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.

Simon Hearne

Simon Hearne FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Manchester
United Kingdom

13 March 2019

Statement of Profit and Loss and Other Comprehensive Income
for the year ended 31 December 2018

	2018	2017
	Total	Total
	£000	£000
Income from shares in group undertakings	9,618	6,800
Profit on ordinary activities before taxation	9,618	6,800
Tax on profit	-	-
Profit for the financial year	9,618	6,800

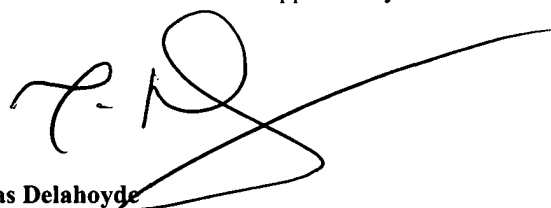
All activities arise from continuing operations. There are no discontinued operations in the current or prior year.

For 2018 and 2017 there has been no income or expense in other comprehensive income except for the profit for the financial year.

Balance Sheet
at 31 December 2018

	<i>Note</i>	2018 £000	£000	2017 £000	£000
Fixed assets					
Fixed asset investments	2		7,053		7,053
			<u>7,053</u>		<u>7,053</u>
Current assets					
Cash and cash equivalents	3	1		1	
		<u>1</u>		<u>1</u>	
Creditors: amounts falling due within one year	4	(690)		(690)	
		<u>(690)</u>		<u>(690)</u>	
Net current liabilities			(689)		(689)
			<u>(689)</u>		<u>(689)</u>
Total assets less current liabilities			6,364		6,364
			<u>6,364</u>		<u>6,364</u>
Net assets			6,364		6,364
			<u>6,364</u>		<u>6,364</u>
Capital and reserves					
Called-up share capital	5		641		641
Share premium account			473		473
Other reserves	5		5,103		5,103
Profit and loss account			147		147
			<u>6,364</u>		<u>6,364</u>
Shareholder funds			6,364		6,364
			<u>6,364</u>		<u>6,364</u>

These financial statements were approved by the board of directors on 12 March 2019 and were signed on its behalf by:



Thomas Delahoyde
Director

Company registered number: 03297174

Statement of Changes in Equity
at 31 December 2018

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total
	£000	£000	£000	£000	£000
At 1 January 2017	641	473	5,103	147	6,364
Profit for the financial year	-	-	-	6,800	6,800
Total comprehensive income	-	-	-	6,800	6,800
Dividend paid	-	-	-	(6,800)	(6,800)
At 31 December 2017	641	473	5,103	147	6,364
Profit for the financial year	-	-	-	9,618	9,618
Total comprehensive income	-	-	-	9,618	9,618
Dividend paid	-	-	-	(9,618)	(9,618)
At 31 December 2018	641	473	5,103	147	6,364

Cash Flow Statement
for year ended 31 December 2018

	2018 £000	2017 £000
Cash flows from investing activities		
Dividends Received	9,618	6,800
Net cash from investing activities	9,618	6,800
Cash flows from financing activities		
Dividends paid	(9,618)	(6,800)
Net cash from financing activities	(9,618)	(6,800)
Net result in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	1	1
Cash and cash equivalents at end of year	1	1

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Notes to the Financial Statements (forming part of the financial statements)

1 Accounting policies

Chiesi Healthcare Limited (the “Company”) is a private company limited by shares and incorporated and domiciled in England and Wales. The company’s registered address is 333 Styal Road, Manchester, M22 5LG.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”). The presentational currency of these financial statements is pounds sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The company’s ultimate parent undertaking, Chiesi Farmaceutici SpA includes the company in its consolidated financial statements. The consolidated financial statements of Chiesi Farmaceutici SpA are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Via Palermo, 26/A, 43100, Parma, Italy. In these financial statements, the company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the year.

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

The financial statements are prepared on the historical cost basis.

1.1 Going concern

The financial statements have been prepared under the going concern assumption. The company’s business activities, together with the factors likely to affect its future development, performance and position are noted in the Strategic Report. The company and its subsidiary have considerable financial resources together with strong relationships with a number of Primary Care Trusts across different geographic areas. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. This is due to the performance and profitability of the trading company (Chiesi Limited)

1.2 Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company’s own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company’s own equity instruments or is a derivative that will be settled by the company’s exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company’s own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

1.3 Basic financial instruments

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment in accordance with FRS 102.17.15E-F, Property, Plant and Equipment, with net revaluation gains recognised in OCI and net revaluation losses in profit or loss.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Impairment of non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Impairment of financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably).

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

1.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis, however the directors do not consider that any of the judgements and estimates has a significant effect on the financial statements.

1.5 Auditor and directors remuneration

Fees payable to the company's auditor and their associates for the audit of the company's financial statements were £3,000 (2017: £1,900) which was borne by the company's subsidiary. There were no non-audit fees in either period.

The directors are also directors of other group companies and received no remuneration in respect of their services to this company.

2 Fixed asset investments

	Shares in group undertakings £000	Total £000
<i>Cost</i>		
At beginning of year	7,053	7,053
At end of year	7,053	7,053
<i>Net book value</i>		
At 31 December 2018	7,053	7,053
At 1 January 2018	7,053	7,053

The company has the following investments in subsidiaries:

	Aggregate of capital and reserves £000	Profit for the year £000	Country of incorporation	Registered Address	Class of shares held	Ownership 2018 %	Ownership 2017 %
Chiesi Limited	20,108	10,218	United Kingdom	333 Styal Road, Manchester, M22 5LG	Ordinary	100	100

Notes to the Financial Statements *(continued)*

3 Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	1	1
Cash and cash equivalent per cash flow statements	1	1

4 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Amounts owed to group undertakings	690	690
	690	690

5 Capital and reserves

Share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i> 641,200 ordinary shares of £1 each	641	641
	641	641

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.

Other reserves of £5,103k relate to goodwill created on the cancellation of the share premium account during 1997. This was subsequently written off following the cancellation of share premium.

6 Dividends on equity shares

	2018 £000	2017 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2018 of 5.07p (2017: 3.58p) per ordinary share	9,618	6,800
	9,618	6,800

7 Related parties

Related party transactions within the Balance Sheet:

	Debtors outstanding 2018 £000	Debtors outstanding 2017 £000	Creditors outstanding 2018 £000	Creditors outstanding 2017 £000
Amounts payable to subsidiary company, Chiesi Limited	-	-	690	690
	<u>-</u>	<u>-</u>	<u>690</u>	<u>690</u>
	<u>-</u>	<u>-</u>	<u>690</u>	<u>690</u>

The amount relates to financial support in respect of historical operating costs. The balance remains repayable on demand should the subsidiary require it.

8 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Chiesi Farmaceutici SpA, which is the ultimate parent company incorporated in Italy.

The largest and smallest group in which the results of the company are consolidated is that headed by Chiesi Farmaceutici SpA. The financial statements of this group are available to the public and may be obtained from its registered address, Via Palermo 26/A, 43100, Parma, Italy.