Vericore Holdings Limited

Annual Report
for the year ended 31 December 2010

Registered number: SC 175663

Vericore Holdings Limited

Annual Report
for the year ended 31 December 2010

Vericore Holdings Limited

Directors and advisers

Directors

S Webb
T Jose
G W Gunn

Company Secretary

E Fowler

Registered office

Units 2a & 3
Dunsinane Industrial Estate
Dundee

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium
1 Harefield Road
Uxbridge
UB8 1EX

Vericore Holdings Limited

Directors' report
for the year ended 31 December 2010

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2010. These financial statements are prepared under EU adopted International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

Principal activities

The principal activity of the Company is that of a holding company.

The Company is a private limited company, domiciled and incorporated in the United Kingdom. The registered office is also the principal place of business with the address as set out on page 2.

Review of business and future developments

The profit for the year amounts to £356,000 (2009: £167,000), being interest received on inter-company receivables.

Principal risks and uncertainties

The Company is not subject to local risk as it is a non-trading holding company. The Group's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance. Novartis UK Limited, a fellow subsidiary in the UK, actively monitors these exposures and manages the volatility relating to these exposures, by entering into a variety of derivative financial instruments.

a) Market Risk

(i) Foreign exchange risk

The Company has limited foreign exchange risk due to the fact that all inter-company interest is denominated in GBP. The Company does not trade with third parties.

Principal risks and uncertainties (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2010 and 2009, there would be no material impact, with all other variables held constant, on the Company's balance sheet and the income statement of movements of 10% of foreign currency denominated balances. The 10% fluctuation of EUR/GBP exchange rates would not have had a material impact on the Company's Balance Sheet as at 31 December 2010 and 2009.

ii) Price risk

This is not material for the Company as it holds no assets or receivables that vary with market price change.

iii) Interest rate risk

The Company's interest rate risk arises from loans provided to other Novartis companies in the UK. Novartis UK Limited manages the interest rate risk profile of the Company as part of managing this for UK operations of the Novartis Group.

b) Credit risk

The Company is not exposed to credit risk from third parties because it does not trade with third parties. The Company is exposed to credit risk from receivables from other Group companies, but this risk is considered to be low.

c) Liquidity risk

The Company's liquidity is managed by Novartis UK Limited by adjusting inter-company loan balances in line with cash-flow requirements of the Company, monitored on a regular basis.

Directors' report for the year ended 31 December 2010 (continued)

Capital risk management

The Company manages cash and cash equivalents as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is a wholly owned subsidiary of Novartis Pharma AG, and its borrowing is managed by Novartis UK Limited.

Key performance indicators ("KPIs")

The Company operates as a holding company and the only movement is interest therefore the only applicable KPI is interest receivable.

	2010 £'000	2009 £'000	
Interest receivable	519	232	Movement due to additional inter-company loan in place during the year

Dividends

The Directors do not recommend the payment of a dividend (2009: £ nil)

Directors

The Directors who held office during the year and up to the date of signing these financial statements were as follows:

S Webb
T Jose
G W Gunn

Directors Indemnity

The Company has entered into indemnity arrangements for the benefit of all its Directors in relation to certain losses and liabilities which they may incur to third parties in the course of acting as Directors of the Company and in compliance with the requirements of the Companies Act 2006.

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

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 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;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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.

Directors' report
for the year ended 31 December 2010 (continued)

Directors' statement on disclosure of information to auditors

Each of the Directors in office at the date the Directors' report is approved confirms that:

(a) so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

An elective resolution has been passed to maintain PricewaterhouseCoopers LLP as auditors until such time as the Board decides otherwise.

By order of the Board

E Fowler
Company Secretary
30/9/11

Independent auditors' report to the members of Vericore Holdings Limited

We have audited the financial statements of Vericore Holdings Limited for the year ended 31 December 2010 which comprise the Income statement, the Balance sheet, the Statement of changes in shareholders' equity, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors
As explained more fully in the Statement of Directors' Responsibilities on page 6 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 2010 and of its profit and cash flows for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report to the members of Vericore Holdings Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Other matters
The company has passed a resolution in accordance with section 506 of the Companies Act 2006 that the senior statutory auditor's name should not be stated.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge, Middlesex

Date: 30 September 2011

Vericore Holdings Limited

Income statement
for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Operating profit	2	-	-
Finance income	3	519	232
Profit before tax			232
Income tax expense	4	(163)	(65)
Profit for the financial year		356	167

All of the results in 2010 and 2009 relate to those of continuing operations.

The Company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of comprehensive income and expense has been presented.

The notes on pages 13 to 22 are an integral part of these financial statements.

Vericore Holdings Limited

Balance sheet
as at 31 December 2010

	Note	2010 £'000	2009 £'000
Assets			
Non-current assets			
Deferred tax asset	6	**497**	660
		497	660
Current Assets			
Trade and other receivables	5	35,777	35,258
		35,777	35,258
Net current assets		35,777	35,258
Net assets		**36,274**	35,918
Capital and reserves attributable to equity holders of the Company			
Preference shares	7	**28**	28
Ordinary shares	8	**1,167**	1,167
Share premium		**28,118**	28,118
Retained earnings		**6,961**	6,605
Total shareholders' equity		36,274	35,918

The financial statements of Vericore Holdings Limited (registered number: SC 175663) and notes on pages 13 to 22 were approved by the Board of Directors on 30 September 2011 and were signed on its behalf by:

S Webb

S Webb
Director

Vericore Holdings Limited

Statement of changes in shareholder's equity for the year ended 31 December 2010

	Ordinary shares £'000	Preference shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2009	1,167	28	28,118	6,438	35,751
Profit for the financial year	-	-	-	167	167
At 31 December 2009	1,167	28	28,118	6,605	35,918
Profit for the financial year	-	-	-	356	356
At 31 December 2010	1,167	28	28,118	6,961	36,274

Cash flow statement for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
Cash (used) in operations	11	(519)	(232)
Interest received		519	232
Net cash generated from operating activities		-	-
Net increase in cash and cash equivalents		-	-
Cash, bank overdrafts and cash equivalents at 1 January		-	-
Cash, bank overdrafts and cash equivalents at 31 December	11	-	-

Notes to the financial statements for the year ended 31 December 2010 (continued)

1 Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements were prepared on a going concern basis.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The critical accounting policies for Vericore Holdings Limited pertain primarily to taxation which are described in further detail below.

(a) New and amended standards adopted by the Company:

There were no applicable new standards and amendments to standards applied for the first time for the financial year beginning 1 January 2010.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Company (although they may affect the accounting for future transactions and events):

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods, but are not currently relevant to the Company.

Vericore Holdings Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

1 Principal accounting policies (continued)

IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category.

IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current.

IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, ' Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

Notes to the financial statements for the year ended 31 December 2010 (continued)

1 Principal accounting policies (continued)

IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not adopted:

The entity's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The company is yet to assess IFRS 9's full impact.

Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The company will apply the revised standard from 1 January 2011.

'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The company will apply the amended standard from 1 January 2011. It is not expected to have any impact on the entity's financial statements.

Notes to the financial statements for the year ended 31 December 2010 (continued)

1 Principal accounting policies (continued)

IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). The company will apply the interpretation from 1 January 2011, subject to endorsement by the EU. It is not expected to have any impact on the entity's financial statements.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related party disclosures

The Company is a wholly owned subsidiary of Novartis Pharma AG, a company incorporated in Switzerland. The ultimate parent company is Novartis AG, a Company incorporated in Switzerland. All intra group and other related party disclosure as required under IAS 24 is included in note 10.

Notes to the financial statements for the year ended 31 December 2010 (continued)

2 Operating profit

This entity has no employees (2009: none). The audit fees for this entity are borne by a subsidiary and are not recharged.

3 Finance income

	2010 £'000	2009 £'000
Finance income on loans to group undertakings	519	232

4 Income tax expense

Analysis of charge in the year	2010 £'000	2009 £'000
Current tax – continuing operations		
- UK corporation tax on profits of the year	-	-
- Under provision in respect of prior year	-	-
Total current tax	-	-
Deferred tax	**163**	65
Origination and reversal of temporary differences	-	-
Tax charge	163	65

The tax assessed for the year has been calculated at the standard rate of corporation tax in the UK 28% (2009: 28%). The charge for the year can be reconciled to the profit per the income statement as follows:

	2010 £'000	2009 £'000
Profit before tax	519	232
Profit before tax multiplied by rate of corporation tax in the UK of 28% (2009: 28%)	**145**	65
Effects of:		
Rates change	18	-
Recognition of previously unrecognised deferred tax asset	-	-
Tax charge for the year	**163**	65

4 Income tax expense (continued)

Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. As such, current tax liabilities have been recognised at 28% (2009: 28%).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. As such, deferred tax assets and liabilities have been recognised at the revised rate of 27% (2009: 28%).

The Finance Act (No.2) 2010, enacted 27 July 2010, includes a reduction in the standard rate of UK Corporation tax from 28% to 27% from 1 April 2011 which is the rate utilised for the 31 December 2010 deferred tax valuation.

Further reductions are proposed to reduce the standard rate to 23% by 1 April 2014. The changes had not been substantively enacted by the balance sheet date and are, therefore, not included in these financial statements.

On 23 March 2011 it was announced that from 1 April 2011 the corporation tax rate would reduce to 26% from 27%. This change will not have a significant impact on the Company's financial statements.

5 Trade and other receivables

Amounts falling due within one year:	**2010** **£'000**	2009 £'000
Amounts owed by fellow group undertakings	35,777	35,258

Amounts receivable from group undertakings are unsecured, payable on demand and denominated in GBP. The carrying amounts approximate their fair value. The receivables attract an interest rate of the Bank of England base rate plus 1%.

Notes to the financial statements for the year ended 31 December 2010 (continued)

6 Deferred tax asset

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior period. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 27% (2009: 28%).

Movement on deferred taxation balance in the year	2010 £'000	2009 £'000
At 1 January	660	725
Income statement	(163)	(65)
At 31 December	497	660

	2010 £'000	2009 £'000
Tax losses	497	660
Total deferred tax	497	660

At the balance sheet date, the Company had a potential deferred tax asset relating to unused tax losses of £497,000 (2009: £660,000) available for offset against future profits. A deferred tax asset of £497,000 (2009: £660,000) has been recognised in respect of such losses. The unrecognised losses can be carried forward indefinitely. The Directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements.

7 Preference shares

Authorised, issued and fully paid	shares	2010 £'000	shares	2009 £'000
Cumulative preference shares of 0.1p	28,133,333	28	28,133,333	28

Notes to the financial statements for the year ended 31 December 2010 (continued)

7 Preference shares (continued)

Cumulative preference shares of 0.1p each

These shares attract a net dividend payable half yearly on 31 March and 30 September, at the following rates:

6p per share until 31 March 1998
7p per share from 1 April 1998 to 31 March 1999
8p per share from 1 April 1000 to 31 March 2000
9p per share from 1 April 2000 until redemption

During the year £2,532,000 (2009: £2,532,000) dividends were waived.

The preference shares have no right to participate in the surplus assets of the Company. These shares do not carry any voting or dividend rights.

8 Ordinary shares

Authorised, issued and fully paid		2010		2009
	shares	£'000	shares	£'000
Ordinary shares of 50p	350,000	175	350,000	175
Ordinary 'A' shares of 50p	1,983,334	992	1,983,334	992
	2,333,334	1,167	2,333,334	1,167

The rights of each class of shares are set out below:

Ordinary shares of 50p each

These shares have no fixed dividend and are not redeemable. On a winding up they are entitled to an amount of £1 per share and rank pari passu with the 'A' ordinary shares in respect of any surplus assets of the Company. The shares carry one vote each.

'A' ordinary shares of 50p each

These shares are not redeemable and may be converted into ordinary shares at any time. On a winding up they stand in priority over the ordinary shares to the extent of £1 per share and any arrears or accrual of the participating dividend. They also rank pari passu with the ordinary shares in respect of any surplus assets of the Company. The shares carry one vote each.

Notes to the financial statements for the year ended 31 December 2010 (continued)

9 Directors and key management

The emoluments of the three Directors (2009: three) are paid by fellow subsidiary companies for their services to the Novartis Group and no recharge is made to the Company (2009: nil). Their remuneration is therefore not included in these financial statements. There are no employees of the Company.

10 Related party transactions

	2010 £'000	2009 £'000
Interest receivable from related parties		
Fellow group undertakings	519	232
Sale of investments to related parties	-	23,486

Year end balances arising from financing activities are as follows:

	2010 £'000	2009 £'000
Receivables from related parties		
Fellow group undertakings	35,777	35,258

Notes to the financial statements for the year ended 31 December 2010 (continued)

11 Cash flow from operating activities

Reconciliation of profit to net cash outflow from operating activities	2010 £'000	2009 £'000
Profit after tax	356	167
Adjustments for:		
Tax	163	65
Interest income	(519)	(232)
Changes in working capital:		
Increase in trade and other receivables	(519)	(232)
Cash used in continuing operations	(519)	(232)

Analysis of cash and cash equivalents	2010 £'000	2009 £'000
Bank balances and other liquid funds	-	-
Bank overdrafts	-	-
	-	-

12 Ultimate parent undertakings and controlling party

Novartis AG, a company incorporated in Switzerland, is the Company's ultimate parent undertaking and controlling party. Copies of the group accounts can be obtained from Novartis AG, Building S-210, CH-4002, Basle, Switzerland.

Novartis AG is the parent undertaking of the largest and smallest group of which Vericore Holdings Limited is a member and for which group accounts are drawn up. The immediate parent undertaking is Novartis Pharma AG.