

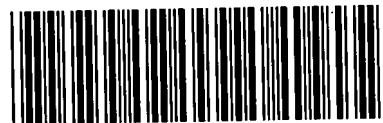
Novartis Europharm Limited

Annual Report

For the year ended 31 December 2018

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Novartis Europharm Limited

Annual report for the year ended 31 December 2018

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Novartis Europharm Limited

Strategic report for the year ended 31 December 2018

The Directors present the Strategic Report for Novartis Europharm Limited ("the Company") for the year ended 31 December 2018.

Principal activities and business review

The principal activity of the Company is to provide services to other Novartis Pharma AG group companies.

The Company charges a 5% administration fee in relation to overhead costs it incurs on behalf of other companies within the Novartis AG group and reported a profit for the year before tax of £6,917 (2017 - £27,645).

The Directors do not foresee any major change in the nature of activities at present.

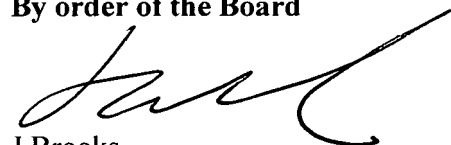
Financial key performance indicators

The directors do not use KPI's as a tool in assessing the performance of the Company.

Principal risks and uncertainties

The Directors do not consider there to be any material risks and uncertainties.

By order of the Board



J Brooks
Director

20 AUG 2019

Registered Office:
Frimley Business Park, Camberley
Surrey, GU16 7SR

Novartis Europharm Limited

Directors' report for the year ended 31 December 2018

The Directors present the report and the audited financial statements of the Company for the year ended 31 December 2018.

Results

The results of the Company are set out on page 8.

Dividends

The Directors do not recommend the payment of a dividend.

Directors

The following persons served as directors during the year and subsequently:

Dr S Longman

Mr G Tougas

Mrs O Lacaze (Resigned 01/05/2019)

Mr E Fowler

Mr H Ahmad

Mr J Brooks (Appointed 01/05/2019)

Principal risks and uncertainties

The Directors' assessment of the principal risks and uncertainties is set out in the Strategic Report.

Novartis Europharm Limited

Directors' report for the year ended 31 December 2018 (continued)

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the auditor's statement of auditor's responsibilities set out on page 6, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are required by UK Company law to prepare financial statements for each financial year. Under the 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 Financial Reporting Standard 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 as at the end of the financial year and of the profit or loss for the financial period.

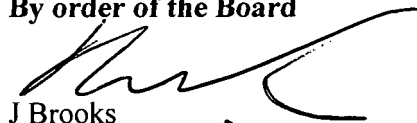
The Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent estimates have been made in the preparation of the financial statements for the year ended 31 December 2018. The Directors also confirm that applicable accounting standards have been followed and that the financial statements are prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that, as far as they are aware, there is no relevant audit information (information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware and that they have each taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

In determining how amounts are presented within items in the profit and loss account and balance sheet, the Directors have had regard to the substance of the reported transaction or arrangements, in accordance with generally accepted accounting principles or practice.

By order of the Board



J Brooks
Director

20 AUG 2019

Registered Office:

Frimley Business Park, Camberley
Surrey, GU16 7SR

Novartis Europharm Limited

Independent Auditor's Report to the members of Novartis Europharm Limited

Opinion

We have audited the financial statements of Novartis Europharm Limited ("the Company") for the year ended 31 December 2018, which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity, the Statement of cash flows and the related notes, including a summary of significant accounting policies. 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).

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

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 United Kingdom, including the Financial Reporting Council'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 related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

Novartis Europharm Limited

Independent Auditor's Report to the members of Novartis Europharm Limited (continued)

- 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.

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.

We have nothing to report in this regard.

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 period 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.

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report or the Directors' Report

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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Independent Auditor's Report to the members of Novartis Europharm Limited (continued)

- 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities on page 3, 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.

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

Novartis Europharm Limited

Independent Auditor's Report to the members of Novartis Europharm Limited (continued)

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.

Rawlinson & Hunter Audit LLP

Kulwam Nagra (Senior Statutory Auditor)

For and on behalf of

Rawlinson & Hunter Audit LLP

Statutory Auditor & Chartered Accountants

Eighth Floor

6 New Street Square

New Fetter Lane

London

EC4A 3AQ

Date: *20 August 2019*

Novartis Europharm Limited

Profit and loss account for the year ended 31 December 2018

	Notes	2018 £	2017 £
Turnover	1,3	7,091,754	8,243,949
Net operating expenses		(7,072,848)	(8,211,291)
Operating profit	4	18,906	32,658
Group interest payable		(11,989)	(5,013)
Profit on ordinary activities before taxation		6,917	27,645
Tax on ordinary activities	7	4,735	(5,770)
Profit for the financial period attributable to shareholders	12	11,652	21,875

There were no gains and losses for 2018 and 2017 other than those included in the profit and loss account.

The notes on pages 12 to 19 form part of these financial statements.

Novartis Europharm Limited

Balance Sheet at 31 December 2018

	Notes	2018 £	2017 £
Current Assets			
Debtors: Amounts falling due within one year	8	2,538,702	3,264,051
Cash at bank and in hand		-	-
		<u>2,538,702</u>	<u>3,264,051</u>
Creditors: Amounts falling due within one year	9	(2,324,257)	(3,061,258)
Net current assets		<u>214,445</u>	<u>202,793</u>
Net assets		<u>214,445</u>	<u>202,793</u>
Capital and reserves			
Called up Share Capital	11	10,000	10,000
Profit and Loss Account	12	204,445	192,793
Equity Shareholder's Funds		<u>214,445</u>	<u>202,793</u>

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 20-8-19 by:

J Brooks



Director

The notes on pages 12 to 19 form part of these financial statements.

Novartis Europharm Limited

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018

	Share capital £	Retained earnings £	Total equity £
At 1 January 2018	10,000	192,793	202,793
Comprehensive income for the year			
Profit for the year	-	11,652	11,652
At 31 December 2018	10,000	204,445	214,445

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2017

	Share capital £	Retained earnings £	Total equity £
At 1 January 2017	10,000	170,918	180,918
Comprehensive income for the year			
Profit for the year	-	21,875	21,875
At 31 December 2017	10,000	192,793	202,793

The notes on pages 12 to 19 form part of these financial statements.

Novartis Europharm Limited

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	11,652	21,875
Adjustments for:		
Group interest payable	11,989	5,013
Taxation	(4,735)	5,770
Decrease in debtors	725,280	333,093
(Decrease) in creditors	(734,197)	(352,738)
Corporation tax recovered/(paid)	2,000	(8,000)
Net cash generated from operating activities	11,989	5,013
Cash flows from investing activities		
Group interest paid	(11,989)	(5,013)
Net cash used in investing activities	(11,989)	(5,013)
Net increase in cash and cash equivalents		
Cash and cash equivalents at the start of the year	-	-
Cash and cash equivalents at the end of the year	-	-
Cash at bank and in hand	-	-

The notes on pages 12 to 19 form part of these financial statements.

Novartis Europharm Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies and general information

General information

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is Frimley Business Park, Camberley GU16 7SR.

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (Note 2).

The following principal accounting policies have been applied:

Turnover

Turnover is the revenue recognised by the Company in the ordinary course of business, excluding value added tax, in respect of services provided during the year where there is expected to be an inflow of economic benefits to the Company and recoverability is probable.

Interest expense

Interest expense is recognised in the Profit and Loss Account using the effective interest method.

Taxation

Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Novartis Europharm Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

Taxation (continued)

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

Operating Leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period of the lease.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non puttable ordinary shares.

Novartis Europharm Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

Financial instruments (continued)

Debt instruments, like loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out right short term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Novartis Europharm Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management has to make judgements on how to apply the Company's accounting policies and make estimates about the future. No critical judgements have been made in arriving at the amounts recognised in the financial statements and there are no key areas of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities.

3 Analysis of turnover

An analysis of turnover by class of business is as follows:

	2018	2017
	£	£
Licence fees recharged	6,830,353	7,917,888
Overhead costs recharged	261,401	326,061
	<u>7,091,754</u>	<u>8,243,949</u>

All of the Company's sales have been made to Europe.

4 Operating profit

The Operating profit is stated after charging:

	2018	2017
	£	£
Auditors' remuneration	10,750	7,000
Operating lease rentals – land and buildings	61,473	91,770

Novartis Europharm Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

5 Employee information

The Company did not employ anyone during the period (2017 – None) and no employee services provided by Group companies were recharged to the Company (2017 – None).

6 Directors' remuneration and key management remuneration

No remuneration was paid to the Directors during the period (2017 - £Nil).

No remuneration was paid to key management during the period (2017 - £Nil).

7 Taxation

	2018 £	2017 £
United Kingdom corporation tax at 19% (2017 – 19.25%)	1,849	5,602
Adjustment in relation to prior year tax	(6,653)	0
Deferred tax timing differences, origination and reversal (see below)	69	168
	<u>(4,735)</u>	<u>5,770</u>

Factors affecting the charge for the year

Profit on ordinary activities before taxation	6,917	27,645
	<u>6,917</u>	<u>27,645</u>
Tax at 19% (2017 – 19.25%) on profit on ordinary activities	1,314	5,322
Expenses not deductible for tax purposes	604	448
Difference between capital allowances and depreciation	0	0
Adjustments to tax charge in respect of prior periods	(6,653)	0
Total tax (credit)/charge for the year	<u>(4,735)</u>	<u>5,770</u>

Novartis Europharm Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

7 Taxation (continued)

Factors that may affect future tax charges

The main rate of corporation tax in the UK changed from 20% to 19% effective from 1 April 2017. Accordingly the Company's profits for this financial year are taxed at an effective rate of 19%.

It was announced at the 2016 Budget that the rate of UK corporation tax will reduce to 17% effective from 1 April 2020, instead of the previously enacted rate of 18% effective from that date. This change will be enacted in the Finance Act 2016. This Act has been substantively enacted at the Balance Sheet date and so the rate of 17% has been used to measure deferred tax balances in these financial statements.

Deferred Tax Asset Note

Movement on deferred taxation balance in the period

	2018 £	2017 £
Opening balance	281	449
Debit to profit and loss account (see above)	(69)	(168)
Closing balance	212	281
Analysis of Deferred Tax Balance		
Differences between capital allowances and depreciation	212	281

8 Debtors

	2018 £	2017 £
Amounts falling due within one year		
Amounts due from Group companies	2,534,393	3,156,402
Prepayments and accrued income	4,097	107,368
Amounts falling due after more than one year		
Deferred tax asset (Note 7)	212	281
	2,538,702	3,264,051

Novartis Europharm Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

9 Creditors - amounts falling due within one year

	2018 £	2017 £
Amounts due to Group companies	2,297,087	2,721,189
Other creditors	-	314,020
Current corporation tax	7,452	10,256
Accruals	19,718	15,793
	<u>2,324,257</u>	<u>3,061,258</u>

10 Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost owed by group undertakings, other debtors and accrued income	2,538,490	3,232,730
	<u>2018 £</u>	<u>2017 £</u>
Financial liabilities		
Financial liabilities measured at amortised cost	2,316,805	3,051,002

Financial assets measured at amortised cost comprise amounts owed by group undertakings and accrued income.

Financial liabilities measured at amortised cost comprise amounts owed to group undertakings and other creditors and accruals.

Novartis Europharm Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

11 Called up share capital

	2018	2017
		£
Allotted, Issued and fully paid		
10,000 ordinary shares of £1 each	10,000	10,000

12 Profit and loss account

	2018
	£
Retained Profits at the start of the year	192,793
Profit for the year	11,652
Retained Profits at end of year	204,445

The profit and loss account represents cumulative profits and losses net of dividends and other adjustments.

13 Ultimate parent undertaking

The Company is a wholly owned subsidiary of Novartis Pharma AG, a company incorporated in Switzerland and itself owned by Novartis AG. The Directors regard Novartis AG as the ultimate parent company and controlling party. Copies of the ultimate parent's consolidated financial statements may be obtained from the following address: The Secretary, Novartis AG, Building S-210, CH-4002 Basle, Switzerland.

14 Related parties

The Company has taken advantage of the exemption under FRS 102 from the requirement to disclose transactions between members of a group where the parties to the transaction is a wholly owned member of the group.