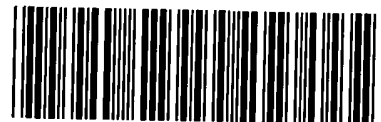

FISONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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COMPANIES HOUSE

FISONS LIMITED

COMPANY INFORMATION

Directors F X Duhalde (appointed 1 April 2016)
A Prosser (resigned 1 April 2016)
T Stenvall (resigned 9 May 2016)
J Stephenson (appointed 9 May 2016)

Registered number 00044687

Registered office One Onslow Street
Guildford
Surrey
GU1 4YS

Independent Auditor Ernst & Young LLP
Statutory Auditor
Apex Plaza
Forbury Road
Reading
RG1 1YE

FISONS LIMITED

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FISONS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

The directors present their strategic report for Fisons Limited ("the company") for the year ended 31 December 2016.

Business review

The company is principally engaged in the manufacture and distribution of pharmaceutical products in the therapeutic area of asthma and allergy treatment. There are two dosing methods currently manufactured by the company; aerosols and thixotropic solutions.

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

	2016	2015	
	£000	£000	% change
Turnover	89,026	84,469	5%
Operating profit	16,795	38,704	(57%)
Shareholders' funds	597,934	620,819	(4%)

Turnover increased by 5% during the year due to the launch of contract manufactured aerosol, which contributed an additional £5m to revenue, and a rise in Royalty income on the product Symbicort. Sales volume was consistent with prior year with the continued toll manufacture of a respiratory product for a third party, when launched during the year.

Operating profit decreased by 57% as a direct result of the increase in turnover and direct costs. All other key fixed costs continued to be controlled in comparison with the prior year.

Shareholders' funds decreased by 4% due to retained earnings, investment in capital expenditure to enhance production capacity and actuarial gains recognised on the defined benefit pension liability, as detailed in Note 24.

FISONS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Principal risks and uncertainties

The company's operations expose it to a variety of risks that include the effects of changes in price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk. The company complies with the sanofi (the company's ultimate parent undertaking) policies and risk management program that seeks to limit the adverse effect of these risks on the company. In order to ensure stability of cash outflows and hence manage interest rate risk for the group, sanofi manages the risk of fluctuation of interest rates on behalf of all companies within the group and uses derivative financial instruments to do this.

Price risk

The company is not materially exposed to commodity price risk as a result of its operations, and therefore believes that the costs of managing these risks outweigh any potential benefit. The directors will revisit the appropriateness of this policy should the company's level of exposure materially increase in the future. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers, before sales are made. Where finance is required to meet the cash flow needs of the company the United Kingdom treasury department, with the approval of the directors, obtain this from sanofi who in turn manages the external risk across the worldwide group.

Liquidity risk

The company is financed through intercompany current and loan accounts and also has in place arrangements with sanofi to ensure the availability of sufficient funds for the company's ongoing operations, should additional funds be required for operations or planned expansions.

Interest rate cash flow risk

The company has interest bearing assets. Short term interest bearing assets include amounts receivable from other fellow subsidiaries within the United Kingdom which earn interest at LIBOR minus 15 basis points. Long term interest bearing amounts receivable from other fellow subsidiaries earn interest at a LIBOR plus 15 basis points. No interest is charged on balances due to or receivable from fellow dormant subsidiaries within the United Kingdom.

Foreign exchange risk

Sanofi operates a foreign exchange risk hedging policy to reduce the exposure of operating income to fluctuations in foreign currencies, particularly the US dollar and the Euro but also other currencies where required. In order to mitigate these fluctuations the company is required to enter into derivative contracts with sanofi. The policy involves regular assessments of the Group's worldwide foreign currency exposure, based on budget estimates of foreign-currency transactions to be carried out by the parent company and its subsidiaries.

These transactions mainly comprise sales, purchases, research costs, co-marketing and co-promotion expenses, and royalties. To reduce the exposure of these transactions to exchange rate movements, sanofi contracts economic hedges using liquid financial instruments such as forward purchases and sales of currency.

This report was approved by the board and signed on its behalf.

F X Duhalde
Director

Date: 

FISONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements of Fisons Limited ("the company") for the year ended 31 December 2016.

Results and dividends

The profit for the year, after taxation, amounted to £20,997,000 (2015 - £24,048,000).

The directors have not paid any dividend for the year and do not recommend the payment of a dividend in respect of the year (2015 - £Nil).

Directors

The directors who served during the year were:

F X Duhalde (appointed 1 April 2016)
A Prosser (resigned 1 April 2016)
T Stenvall (resigned 9 May 2016)
J Stephenson (appointed 9 May 2016)

Sanofi maintains liability insurance for the directors and officers of all group companies. Sanofi has also provided an indemnity for the directors, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Future developments

The company continues to mitigate the decline in mature products by collaborating within the group for development of new products as part of the strategy for the next one to five years. Such collaborations are expected to increase sales volume and trade within the company.

Employee involvement

The company seeks to encourage employee involvement in its business through a variety of approaches. At the core of these is a management by objectives process, in which all levels of employees participate in the formulation of company goals. This is achieved by the development of annual action plans applicable to each individual employee and the units in which they work. In addition, of course, there are more formal consultative procedures that exist with trade union and other specialist committees covering health, safety and environmental issues, pension arrangements, employee share schemes and recreation.

During the year employees were regularly provided with information regarding the financial and economic factors affecting the performance of the company and on other matters of concern to them as employees, through the medium of regular employee reports. Additionally regular consultations took place with employee representatives so that the views of employees could be taken into account when making decisions which are likely to affect their interests.

Disabled employees

It is the policy of the company that disabled people, whether registered disabled or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants as well as training, career development and promotion opportunities. Employees who become disabled during their working life will be retained in employment whenever possible and will be helped with any necessary rehabilitation and retraining. The company is prepared to modify procedures or equipment when this is practicable so that the individual's ability can be developed to its full potential.

FISONS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Going concern statement

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 1. The financial statements include the company's financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

The company has considerable financial resources, therefore, the directors have a reasonable expectation that the company has adequate resources to continue its operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



F X Duhalde
Director

Date:

24.9.18

FISONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT 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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 to 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 AUDITORS' REPORT TO THE MEMBERS OF FISONS LIMITED

We have audited the financial statements of Fisons Limited for the year ended 31 December 2016, which comprise

the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 26. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement on page 5, 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 Financial Reporting Council's Ethical Standards for Auditors.

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. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FISONS LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of our 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 and the Directors' Report.

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.



David Hales (Senior Statutory Auditor)

for and on behalf of
Ernst & Young LLP

Statutory Auditor

Reading

Date:

29 SEP 2017

FISONS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £000	2015 £000
Turnover	4	89,026	84,469
Net operating expenses		(72,231)	(45,765)
Operating profit		16,795	38,704
Income from fixed assets investments		72	73
Interest receivable and similar income	10	2,806	3,329
Interest payable and expenses	11	(64)	(66)
Other finance expense		(577)	(2,091)
Profit before tax		19,032	39,949
Tax on profit	13	1,965	(15,901)
Profit for the year		20,997	24,048
Other comprehensive income:			
Actuarial (loss)/gain on defined benefit schemes		(44,508)	35,294
Deferred tax attributable to actuarial gain/loss on approved pension scheme		(2,172)	8,249
Current tax deductions allocated to actuarial losses		2,839	-
Deferred tax related to changes in tax rate		(1,377)	(1,989)
Actuarial gain related to other post employment benefits		1,443	231
Deferred tax attributable to actuarial gain/loss in other post employment benefits		(246)	106
		(44,021)	41,891
Total comprehensive (expense)/income for the year		(23,024)	65,939

The notes on pages 13 to 42 form part of these financial statements.

FISONS LIMITED
REGISTERED NUMBER: 00044687

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Fixed assets			
Tangible fixed assets	14	28,931	45,991
Investments	15	4,105	4,105
		<u>33,036</u>	<u>50,096</u>
Current assets			
Stocks	16	10,706	9,178
Debtors: amounts falling due after more than one year	17	7,051	1,159
Debtors: amounts falling due within one year	17	720,608	610,004
Cash at bank and in hand	18	141	140
		<u>738,506</u>	<u>620,481</u>
Creditors: amounts falling due within one year	19	(117,992)	(23,165)
Net current assets		<u>620,514</u>	<u>597,316</u>
Total assets less current liabilities		<u>653,550</u>	<u>647,412</u>
Provisions for liabilities			
Other provisions	20	(6,040)	(7,328)
		<u>(6,040)</u>	<u>(7,328)</u>
Net assets excluding pension liability		<u>647,510</u>	<u>640,084</u>
Pension liability	24	(49,578)	(19,265)
Net assets		<u><u>597,932</u></u>	<u><u>620,819</u></u>

FISONS LIMITED
REGISTERED NUMBER: 00044687

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Capital and reserves			
Called up share capital	21	100	100
Other reserves	22	745	608
Profit and loss account	22	597,087	620,111
Total equity		<u>597,932</u>	<u>620,819</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



F X Duhalde
Director

Date:

27.9.16

The notes on pages 13 to 42 form part of these financial statements.

FISONS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2016	100	608	620,111	620,819
Comprehensive income for the year				
Profit for the year	-	-	20,997	20,997
Actuarial losses on pension scheme	-	-	(44,508)	(44,508)
Deferred tax related to actuarial loss on pension scheme	-	-	(2,172)	(2,172)
Current tax deductions allocated to actuarial losses on pension scheme	-	-	2,839	2,839
Deferred tax related to changes in tax rate	-	-	(1,377)	(1,377)
Actuarial gain on other post employment benefits	-	-	1,443	1,443
Deferred tax related to actuarial gain on other post employment benefits	-	-	(246)	(246)
Other comprehensive expense for the year	-	-	(44,021)	(44,021)
Total comprehensive expense for the year	-	-	(23,024)	(23,024)
Movement on share option reserve	-	137	-	137
At 31 December 2016	100	745	597,087	597,932

FISONS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2015	100	475	554,172	554,747
Comprehensive income for the year				
Profit for the year	-	-	24,048	24,048
Actuarial gains on pension scheme	-	-	35,294	35,294
Surplus on revaluation of leasehold property	-	-	231	231
Deferred tax related to changes in tax rate	-	-	(1,989)	(1,989)
Deferred tax attributable to actuarial gain/loss in other post employment benefits	-	-	106	106
Deferred tax attributable to actuarial gain/loss on approved pension scheme	-	-	8,249	8,249
Other comprehensive income for the year	-	-	41,891	41,891
Total comprehensive income for the year	-	-	65,939	65,939
Movement on share option reserve	-	133	-	133
At 31 December 2015	100	608	620,111	620,819

The notes on pages 13 to 42 form part of these financial statements.

FISONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Fisons Limited ("the company") for the year ended 31 December 2016 were authorised for issue by the board of directors on _____ 2017, and the balance sheet was signed on the board's behalf by F X Duhalde. The company is incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Listed Sanofi.

The results of the company are included in the consolidated financial statements of Sanofi (20F) which are available from on the corporate website.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention, unless otherwise specified within these accounting policies, and in accordance with FRS 101 and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

FISONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by the group; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

FISONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.3 Revenue

Revenue recognition

Revenue arising from the sales of goods is presented in the income statement as Net sales, which comprises revenue from sales of pharmaceutical products, net of sales returns, customer incentives, discounts and of certain sales-based payments paid or payable to the healthcare authorities.

Service revenue, principally toll manufacturing, is recognised when the service has been completed.

Royalty income is recognised when receivable as per the terms of the royalty agreement

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The company offers various types of price reductions on its products. Rebates are granted under contractual arrangements with customers, and wholesalers are entitled to chargeback incentives based on the selling price to the end customer under specific contractual arrangements.

Return, discounts, incentives and rebates are recognised in the period in which the underlying sales are recognised as a reduction of revenue. These amounts are calculated as follows:

- Provision for rebates based on attainment of sales targets are estimated and accrued as each of the underlying sales transaction is recognised;
- Provisions for incentives are estimated on the basis of the specific contractual arrangements with the customer, and represent management's best estimate of the ultimate amount of incentive that will eventually be claimed by the customer;
- Provisions for sales returns are calculated on the basis of the management's best estimate of the amount of product that will ultimately be returned by customers, and is estimated on the basis of past experience of sales returns.

FISONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.4 Research and development costs

Research expenditure is written off in the year in which it is incurred.

Internally generated development expenses are recognised as an intangible asset if, and only if, all the following six criteria can be demonstrated: (a) the technical feasibility of completing the development project; (b) the Group's intention to complete the project; (c) the Group's ability to use the project; (d) the probability that the project will generate future economic benefits; (e) the availability of adequate technical, financial and other resources to complete the project; and (f) the ability to measure the development expenditure reliably.

Due to the risks and uncertainties relating to regulatory approval and to the research and development process, the six criteria for capitalisation are usually considered not to have been met until the product has obtained marketing approval from the regulatory authorities. Consequently, internally generated development expenses arising before marketing approval has been obtained, mainly the cost of clinical trials, are generally expensed as incurred within Research and development expenses.

2.5 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.6 Operating leases: Lessee

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement 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 lease term.

2.7 Valuation of investments

Investments in subsidiaries, associates and joint ventures are measured at cost less accumulated impairment, if any. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

FISONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises the aggregate amount paid, the fair value of any other consideration given and includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Land	- Not depreciated
Buildings	- Straight line
Plant & Machinery	- 3 to 15 years straight line
Motor Vehicles	- 5 years straight line
Furniture, Fixtures & Equipment	- 3 to 15 years straight line
Assets Under Construction	- Not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed annually, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads, based on normal level of activity.

2.10 Debtors

Short term debtors are measured at invoiced value, less any provision for 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.

FISONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions. 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.

2.12 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

2.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.14 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Pensions

The company offers retirement benefits to employees and retirees, which are accounted for in accordance with IAS 19.

Benefits are provided in the form of either defined contribution plans or defined benefit plans. In the case of defined contribution plans, the cost is recognised immediately in the period in which it is incurred, and equates to the amount of the contributions paid by the company. Once the contributions have been paid, the company has no further payment obligation.

For defined benefit plans, the company recognises its obligations to pay pensions and similar benefits to employees as a liability, based on an actuarial estimate of the rights vested or currently vesting in employees and retirees, using the projected unit credit method. Estimates are performed at least once a year, and rely on financial assumptions (such as discount rates) and demographic assumptions (such as life expectancy, retirement age, employee turnover, and the rate of salary increases). Obligations relating to other post-employment benefits (healthcare and life insurance) offered by the company to employees are also recognised as a liability based on an actuarial estimate of the rights vested or currently vesting in employees and retirees at the end of the reporting period. These liabilities are recognised net of the fair value of plan assets.

The benefit cost for the period consists primarily of current service cost, past service cost, net interest cost, gains or losses arising from plan settlements not specified in the terms of the plan, and actuarial gains or losses arising from plan curtailments. Net interest cost for the period is determined by applying the discount rate specified in IAS 19 to the net liability (i.e. the amount of the obligation, net of plan assets) recognised in respect of defined benefit plans. Past service cost is recognised immediately in profit or loss in the period in which it is incurred, regardless of whether or not the rights have vested at the time of adoption (in the case of a new plan) or of amendment (in the case of an existing plan).

Actuarial gains and losses on defined benefit plans (pensions and other post-employment benefits), also referred to as "Remeasurements of the net defined benefit liability (asset)", arise as a result of changes in financial and demographic assumptions, experience adjustments, and the difference between the actual return and interest cost on plan assets. The impacts of these remeasurements are recognised in Other comprehensive income, net of deferred taxes; they are not subsequently reclassifiable to profit or loss.

FISONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation, that is probable that an outflow above will be required to settle by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

2.17 Current and deferred taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences,
- carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

FISONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Pension and other post employment benefits

The cost of defined benefit pensions plans and other post employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with a AA 15+ rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country.

4. Turnover

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

	2016 £000	2015 £000
Sales	39,318	35,765
Commissions & royalties receivable	29,688	29,350
Toll manufacture	20,020	19,354
	<u>89,026</u>	<u>84,469</u>

Analysis of turnover by country of destination:

	2016 £000	2015 £000
United Kingdom	626	709
Rest of Europe	87,572	80,970
Rest of the world	828	2,790
	<u>89,026</u>	<u>84,469</u>

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

5. Net operating expenses

	2016 £000	<i>2015 £000</i>
Change in stocks of finished goods and work in progress (see note 16)	(1,528)	3,140
Raw materials and consumables	13,630	15,426
Staff costs (see note 8)	26,152	22,385
Depreciation (see note 14)	2,900	2,595
Writedown of capital work in progress (see note 14)	20,961	-
Other charges	10,116	2,219
	72,231	45,765

6. Operating profit

The operating profit is stated after charging:

	2016 £000	<i>2015 £000</i>
Depreciation of tangible fixed assets	2,900	2,595
Exchange differences	(41)	(2)

During the year, no director received any emoluments (2015 - £NIL).

7. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company:

	2016 £000	<i>2015 £000</i>
Fees for the audit of the company	60	60

The *company* has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent *company*.

FISONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. Employees

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	20,223	16,175
Social security costs	1,968	1,634
Cost of defined benefit scheme	907	2,929
Cost of defined contribution scheme	3,054	1,647
	<u>26,152</u>	<u>22,385</u>

The charge for share options for the year is included in wages and salaries above, amounting to £137,000 (2015 - £133,000).

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Manufacturing and distribution	299	233
Administration, selling and research and development	132	126
	<u>431</u>	<u>359</u>

9. Income from investments

	2016 £000	2015 £000
Dividends received from unlisted investments	72	73
	<u>72</u>	<u>73</u>

10. Interest receivable

	2016 £000	2015 £000
Interest receivable from group companies	2,394	2,952
Other interest receivable	412	377
	<u>2,806</u>	<u>3,329</u>

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. Interest payable and similar charges

	2016 £000	2015 £000
Other interest payable	64	66
	64	66

12. Other finance costs

	2016 £000	2015 £000
Net interest on net defined benefit liability	577	2,091
	577	2,091

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. Taxation

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	5,384	-
Adjustments in respect of previous periods	(34)	(9)
Current income tax charge	5,350	(9)
Group taxation relief	2,377	5,947
	7,727	5,938
Foreign tax		
Foreign tax on income for the year	8	8
Total current tax	7,735	5,946
Deferred tax		
Origination and reversal of temporary differences	(8,393)	11,311
Changes to tax rates	(1,307)	(1,356)
Total deferred tax	(9,700)	9,955
Taxation on (loss)/profit on ordinary activities	(1,965)	15,901

The current tax charge for the year has been increased by £2,377,000 (2015 - £5,947,000) because of group relief claimed from a fellow subsidiary for which a payment of £2,377,000 (2015 - £5,947,000) will be left outstanding on an inter-company account.

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - *higher than*) the standard rate of corporation tax in the UK of 20% (2015 - 20.247%). The differences are explained below:

	2016	2015
	£000	£000
Profit on ordinary activities before tax	19,032	39,949
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.247%)	3,806	8,088
Effects of:		
Fixed asset differences	256	-
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	53	49
Foreign tax credits	8	8
Adjustments to tax charge in respect of prior periods	(34)	(9)
Amounts relating to other comprehensive income	(8,902)	7,146
Non-taxable income	-	(127)
Exempt dividend income	(14)	(15)
Current tax relating to other comprehensive income	2,839	-
Changes in provisions leading to an increase/(decrease) in the tax charge	259	29
Movements in unrecognised deferred tax	2,433	(5,732)
Deferred tax (charged)/credited directly to equity	(3,794)	6,366
Change in tax law and rates	1,125	98
Total tax (credit)/charge for the year	(1,965)	15,901

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% was substantively enacted on 2 July 2013 and was effective from 1 April 2015.

Further reductions to 19% (effective from 1 April 2017) and then to 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 15 September 2016 respectively. A rate of 17% has therefore been applied to the deferred tax asset at the balance sheet date.

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. Taxation (continued)

	2016 £000	2015 £000
Tax relating to items charged or credited to other comprehensive income		
Current tax		
Tax on defined benefit pension plans	(2,839)	-
Total current income tax	<u>(2,839)</u>	<u>-</u>
Deferred tax		
Actuarial losses/(gains) on defined benefit pension plan	3,625	(6,260)
Actuarial losses/(gains) on other post employment benefits	170	(106)
Total deferred tax	<u>3,795</u>	<u>(6,366)</u>
Tax credit/(charge) in the statement of other comprehensive income	<u>956</u>	<u>(6,366)</u>

The deferred tax included in the company balance sheet is as follows:

	2016 £000	2015 £000
Deferred tax asset		
Short term temporary differences - less than 1 year	116	103
Defined benefit pension schemes	6,359	3,468
Other post employment benefits	722	1,044
Accelerated capital allowances	(30)	(3,353)
	<u>7,167</u>	<u>1,262</u>
	2016 £000	2015 £000
Disclosed in the balance sheet		
Debtors due after more than one year	7,051	1,159
Debtors due within one year	116	103
	<u>7,167</u>	<u>1,262</u>

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. Taxation (continued)

	2016 £000	2015 £000
Deferred tax in the income statement		
Accelerated capital allowances	(3,136)	266
Share-based payment	(18)	8
Pension plans and other post-employment medical benefits	(5,239)	11,037
Change in tax laws and rates	(1,307)	(1,356)
Deferred tax (credit)/expense	(9,700)	9,955

14. Tangible fixed assets

	Land & buildings £000	Plant & machinery £000	Motor vehicles £000	Fixtures, fittings & equipment £000	Assets under construc- tion £000	Total £000
Cost or valuation						
At 1 January 2016	42,409	36,646	25	6,546	23,801	109,427
Additions	-	-	-	-	6,800	6,800
Disposals	-	(1,310)	-	(231)	(20,961)	(22,502)
Transfers between classes	2,548	1,058	-	425	(4,031)	-
At 31 December 2016	<u>44,957</u>	<u>36,394</u>	<u>25</u>	<u>6,740</u>	<u>5,609</u>	<u>93,725</u>
Depreciation						
At 1 January 2016	28,576	28,740	19	6,101	-	63,436
Charge for the period on owned assets	1,172	1,560	4	164	-	2,900
Disposals	-	(1,310)	-	(231)	-	(1,541)
At 31 December 2016	<u>29,748</u>	<u>28,990</u>	<u>23</u>	<u>6,034</u>	<u>-</u>	<u>64,795</u>
Net book value						
At 31 December 2016	<u>15,209</u>	<u>7,404</u>	<u>2</u>	<u>706</u>	<u>5,609</u>	<u>28,930</u>
At 31 December 2015	<u>13,833</u>	<u>7,906</u>	<u>6</u>	<u>445</u>	<u>23,801</u>	<u>45,991</u>

FISONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14. Tangible fixed assets (continued)

Included in land & buildings is freehold land at a cost of £756,000 (2015 - £756,000) which is not depreciated. Assets under construction are not depreciated, and relate mainly to the building office extension.

15. Fixed asset investments

	Shares in group undertakings £000	Investments in participating interests £000	Total £000
Cost or valuation			
At 1 January 2016	1	11,646	11,647
At 31 December 2016	1	11,646	11,647
Impairment			
At 1 January 2016	1	7,541	7,542
At 31 December 2016	1	7,541	7,542
Net book value			
At 31 December 2016	-	4,105	4,105
At 31 December 2015	-	4,105	4,105

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Sanofi-Aventis Bangladesh Limited	Ordinary Tk 100 shares	24.66 %	Distribution company

At 31 December the directors conducted a review of the carrying value of the investments based upon the recoverable amount for each of the investments. The directors have reviewed the results of the investments for the year ended 31 December 2016 and concluded that no impairment was required against the investment value of Sanofi-Aventis Bangladesh Limited.

In 2016 the company received a dividend of £72,000 (2015 - £73,000) from its investment in Sanofi-Aventis Bangladesh Limited.

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. Stocks

	2016	2015
	£000	£000
Raw materials and consumables	3,258	4,525
Work in progress (goods to be sold)	4,918	1,948
Finished goods and goods for resale	2,530	2,705
	<u>10,706</u>	<u>9,178</u>

17. Debtors

	2016	2015
	£000	£000
Due after more than one year		
Deferred tax asset	<u>7,051</u>	<u>1,159</u>
	2016	2015
	£000	£000
Due within one year		
Trade debtors	11,190	14,824
Amounts owed by group undertakings	698,395	588,866
Other debtors	5,333	5,012
Prepayments and accrued income	4,516	1,191
Tax recoverable	967	-
Deferred taxation	116	103
Financial instruments	91	8
	<u>720,608</u>	<u>610,004</u>

The amounts owed by group undertakings are unsecured, and repayable on demand. Amounts relating to trading balances owed by non-UK and balances owed by dormant companies are interest free; all other balances carry interest at LIBOR minus 5 basis points.

18. Cash and cash equivalents

	2016	2015
	£000	£000
Cash at bank and in hand	<u>141</u>	<u>140</u>

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

19. Creditors: Amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	3,147	1,973
Financial instruments	13	147
Amounts owed to group undertakings	102,102	8,491
Corporation tax	-	1,388
Other creditors	2,581	3,087
Accruals and deferred income	10,149	8,079
	117,992	23,165

The amounts owed to group undertakings are unsecured and repayable on demand, amounts relating to trading balances owed to non-UK companies and balances owed to dormant companies are interest free; all other balances carry interest at LIBOR plus 15 basis points.

FISONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

20. Provisions

	Post employment benefits £000	Environmental £000	Restructuring £000	Jubilee Scheme £000	Total £000
At 1 January 2016	5,421	1,528	-	379	7,328
Charged to profit or loss	211	47	225	34	517
Utilised in year	(1,745)	(9)	-	(51)	(1,805)
At 31 December 2016	3,887	1,566	225	362	6,040

Post employment benefits

In addition to the sanofi-aventis pension scheme (see note 24), the company participates in two other closed post employment benefit schemes:

The company self insures against the risk of a small number of retired employees suffering an illness which would require the company to bear the medical costs. The provision in the financial statements as at 31 December 2016 represents the actuarial expectation that the company's retired employees will suffer an illness during the remainder of their lives. The balance at 31 December 2016 was £2,313,000 (2015 - £4,017,000).

The remaining balance of £1,574,000 as at 31 December 2016 (2015 - £1,404,000) covers an amount of liability to pay the promised amount of pensions in excess of the earnings limit over the expected remaining lifetimes of 3 former senior executives of the company.

Of the £1,745,000 decrease in provision for the year (2015 - £521,000), £1,443,000 has been credited to reserves in respect of actuarial gains (2015 - £231,000 credited). The assumptions used are the same as those for the Sanofi-Aventis UK pension scheme valuation as disclosed in note 24.

Environmental

A provision was created in June 2005 to cover the present value of the current and future costs of cleaning up land and demolition of buildings at the company's Holmes Chapel site. The costs are expected to be incurred until 31 December 2037, and in accordance with the sanofi group policy the expected future expenditure has been discounted at a rate of 4%. The unwind of discount for the financial year was £47,000 (2015 - £67,000).

Jubilee scheme

The Jubilee scheme was created to reward employees for long service. The balance as at 31 December 2016 of £362,000 (2015 - £379,000) represents the estimated value of this liability.

Restructuring

The company made a provision in 2016 for as part of an internal reorganisation for the manufacture of Pulmojet, which is expected to be fully utilised in 2017.

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

21. Share capital

	2016	<i>2015</i>
	£000	<i>£000</i>
Allotted, called up and fully paid		
400,000 ordinary shares of £0.25 each	100	<i>100</i>

22. Reserves

Other reserves

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Profit & loss account

The profit and loss account represents accumulated comprehensive income for the year and prior periods less dividends.

Share option reserve

The share option reserve represents the accumulated charge incurred by the company in connection with share-based remuneration schemes.

23. Ultimate parent undertaking and controlling party

The immediate parent undertaking at the Balance Sheet date is Sanofi-Aventis UK Holdings Limited. The ultimate parent undertaking and controlling party is Sanofi, a company incorporated in France. Sanofi is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2016. The consolidated financial statements of Sanofi, are available from: Sanofi, 54, Rue La Boetie, 75008 Paris, France.

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

24. Pension commitments

The company operates a Defined Benefit and a Defined Contribution Pension Scheme.

Defined Benefit Pension Scheme

The company participates in the Sanofi-Aventis Pension Scheme, a defined benefit pension scheme that has been closed to new entrants since April 2007, and with effect from 1 October closed to future accrual. As a result, employees can no longer pay into the scheme.

Under this defined benefit plan, an annuity is paid from the retirement date. This annuity is calculated on the basis of the employee's length of service as of September 30, 2015, and of the employee's final salary (or salary on the date the employee leaves the company).

The rates used for the vesting of rights vary from member to member. For most members, rights vest at the rate of 1.25% or 1.50% of final salary for each qualifying year of service giving entitlement. The notional retirement age varies according to the category to which the member belongs, but in most cases retirement is at age 65. Members may choose to retire before or after the notional retirement age (60 years), in which case the amount of the annual pension is adjusted to reflect the revised estimate of the length of the retirement phase. Pensions are usually indexed to the Retail Price Index (RPI). Members paid a fixed-percentage contribution into their pension plan (the percentage varied according to the employee category), and the employer topped up the contribution to the required amount.

Until closure of the plan, members paid a fixed-percentage contribution into their pension plan (the percentage varied according to the employee category), and the employer topped up the contribution to cover the cost of benefit accrual which was revised regularly (at least every three years) as part of statutory funding valuation.

For future service periods subsequent to October 1, 2015, employees will belong to a new defined contribution plan.

Reconciliation of present value of plan liabilities:

	2016 £000	2015 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	815,722	776,662
Current service cost	78	1,379
Interest cost on Benefit Obligation	30,285	28,563
Routine plan settlements	(3,724)	(4,303)
Benefits paid	(34,459)	(29,903)
Actuarial loss due to change in demographic assumptions	-	5,659
Actuarial loss/(gain) due to change in financial assumptions	175,992	(40,486)
Actuarial (gain)/loss due to experience	(33,549)	78,151
At the end of the year	950,345	815,722

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

24. Pension commitments (continued)

	2016 £000	2015 £000
At the beginning of the year	796,457	713,653
Administrative costs	(829)	(1,410)
Interest income on plan assets	29,919	26,472
Employees contributions	16	9
Employer contributions	15,452	13,321
Benefits paid	(34,459)	(29,903)
Settlement	(3,724)	(4,303)
Actual return over the expected interest income	97,935	78,618
At the end of the year	900,767	796,457

Composition of plan assets:

	2016 £000	2015 £000
Loss on DBO due to change in demographic assumptions	-	5,659
Loss/(Gain) on DBO due to change in financial assumptions	175,992	(40,468)
(Gain)/Loss on DBO due to Experience	(33,549)	78,151
Gain on Assets: comparison between real return and expected Income interest	(97,935)	(78,618)
Total plan liabilities/(assets)	44,508	(35,276)

	2016 £000	2015 £000
Fair value of plan assets	900,767	796,457
Present value of plan liabilities	(950,345)	(815,722)
Net pension scheme liability	(49,578)	(19,265)

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

24. Pension commitments (continued)

	2016 £000	2015 £000
Current service cost	78	1,379
Employees contribution	(16)	(9)
Interest cost on Obligation	30,285	28,563
Interest Income on Plan assets	(29,919)	(26,472)
Losses on curtailments and settlements	-	1,410
Total	428	4,871

The table below shows the fair value of plan assets relating to the company's pension scheme, split by asset category.

Reconciliation of fair value of plan liabilities were as follow:

	2016 £000	2015 £000
Cash and cash equivalent	53,766	54,841
Equity instruments	338,807	311,955
Debt instruments	483,827	366,251
Real estate	23,977	-
Derivatives	209	-
Other	181	25,671
Quoted securities	900,767	758,718
Other securities - Hedge Funds	-	37,739
Total fair value of plan assets	900,767	796,457

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

24. Pension commitments (continued)

The scheme has a long-term objective of maintaining or increasing the extent to which its obligations are covered by assets. To this end, the scheme uses an asset-liability management strategy, matching plan assets to its pension obligations. This policy aims to ensure the best fit between the assets held on the one hand, and the associated liabilities and expected future payments to plan members on the other. To meet this aim, the scheme operates a risk monitoring and management strategy (mainly focused on interest rate risk and inflation risk), while investing a growing proportion of assets in high-quality bonds with comparable maturities to those of the underlying obligations.

The scheme did not alter its asset-liability management strategy or its key risk monitoring policy during 2016.

The estimated amounts of employer's contributions to plan assets in 2017 are £15,531,000.

The table below shows the sensitivity of the company's obligations for pensions to changes in the key actuarial assumptions:

	2016	2015
	£000	£000
Sensitivity to discount rate -0.5 point	1,036,912	884,975
Sensitivity to discount rate +0.5 point	874,825	754,834
Sensitivity to rate of compensation increase +0.5 point	953,037	818,718
Sensitivity to inflation rate +0.5 point	1,008,013	861,436
Sensitivity to medical rate of inflation +0.5 point	950,345	815,722
Sensitivity to rate of indexation of pension in payment +0.5 point	994,281	854,906
Sensitivity to rate of indexation of deferred pension +0.5 point	966,195	828,377
Sensitivity to mortality table	983,266	837,746

FISONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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24. Pension commitments (continued)

Actuarial valuations of the company's benefit obligations were computed by management with assistance from external actuaries as of December 31, 2015, 2014 and 2013.

	2016	2015
Actuarial assumptions used to measure obligation		
Discount rate at 31 March	2.75%	4.00%
Rate of competition increase	4.40%	4.40%
Inflation rate	3.15%	3.15%
Indexation rate pension in payment	3.00%	3.10%
Indexation rate deferred pension	2.05%	2.05%
Weight average duration (in years)	17	17

The discount rates used are based on market rates for high quality corporate bonds with a duration close to the expected benefit payments under the plans, 7 to 10 years and more than 10 years, respectively.

The benchmarks used to determine these discount rates were the same in 2016, 2015, 2014 and 2013.

Defined Contribution Pension Scheme

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £3,054,000 (2015 - £1,647,000). Contributions totalling £100,000 (2015 - £134,000) were payable to the fund at the Balance Sheet date.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

25. Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Not later than 1 year	73	78
Later than 1 year and not later than 5 years	137	154
Later than 5 years	-	9
	210	241

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26. Share based payments

Share option plans

The company participates in a number of stock purchase option plans operated by Sanofi, the ultimate parent company. These plans allow grantees to purchase a fixed number of shares at a pre-determined price over a specific period. Options generally vest two to five years from the date of grant and expire seven to twenty years from the date of grant. Awards under the plans are generally reserved for employees at senior management level and above. Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

	Sanofi	Sanofi	Sanofi	Sanofi	Sanofi
	3/1/2010	3/2/2009	12/13/2007	12/14/2006	5/31/2005
Grant date	3/1/2010	3/2/2009	12/13/2007	12/14/2006	5/31/2005
Share price at grant date	54.82	41.10	63.66	69.70	73.30
Exercise price in Euro	54.12	45.09	62.33	66.91	70.38
Number of employees	5	6	4	1	-
Shares under option	2,115	2,090	4,100	900	-
Vesting period (years)	4	4	4	4	4
Expected volatility	27.08%	27.06%	19.36%	19.58%	18.44%
Option life (years)	10	10	10	10	10
Expected life (years)	6	6	6	6	8
Risk free rate	2.56%	2.84%	4.21%	3.74%	3.08%
Expected dividends expressed as a dividend yield	4.66%	5.72%	3.08%	2.48%	1.85%
Fair value per option in Euro	9.09	4.95	11.92	14.35	16.68

The expected volatility is based on the historical volatility over the last two to five years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon Euro bonds of a term consistent with the assumed option life.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

26. Share based payments (continued)

Share options granted subsequent to 5 April 1999 under unapproved schemes are subject to employers' and employees' national insurance on the gain made on exercise of such options by UK employees. The company accrues for the expected employers' national insurance to the Balance Sheet date based on the year end share price of Euro 78.60 and the elapsed portion of the relevant vesting periods.

Restricted share plans

Origin	Date of award	Number of shares initially awarded	Acquisition date	Availability date	Number transferred (to)/from associated employer	Number transferred as of 31 December 2016	Number of rights cancelled as of 31 December 2016	Number out-standing
Sanofi-aventis	3/2/2009	2,195	3/4/2013	3/4/2013	-	(2,195)	-	-
Sanofi-aventis	3/1/2010	1,804	3/2/2014	3/3/2014	-	(1,804)	-	-
Sanofi-aventis	10/27/2010	5,220	10/27/2014	10/28/2014	220	(4,980)	(460)	-
Sanofi-aventis	3/9/2011	2,450	3/10/2015	3/10/2015	-	(2,450)	-	-
Sanofi	3/5/2012	3,300	3/5/2016	3/5/2016	-	(3,046)	(254)	-
Sanofi	3/5/2013	3,500	3/5/2017	3/5/2017	-	-	-	3,500
Sanofi	3/5/2014	3,250	3/5/2018	3/5/2018	-	-	-	3,250
Sanofi	6/24/2015	2,200	6/25/2019	6/25/2019	-	-	-	2,200
Sanofi	5/4/2016	2,400	5/4/2019	5/4/2019	-	-	-	2,400

In 2011, the Sanofi Board of Directors made significant changes to its share-based compensation policy to limit the dilutive effect on shareholders, the Sanofi Board of Directors determined to primarily award performance shares. Furthermore, whoever the beneficiary is, any award of performance shares will henceforth be fully subject to the condition of the performance targets being achieved over three financial years.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26. Share based payments (continued)

The performance criterion based upon Business Net Income covers 50% of the award. It relates to the ratio, at constant exchange rate, between actual Business Net Income achieved and the Business Net Income specified in the budget. If this ratio is less than 95%, the corresponding performance shares will lapse. The Business Net Income target may not be lower than the lower range of the guidance published by Sanofi at the beginning of each year.

The ROA-based criterion covers 50% of the award. The schedule includes a target ROA, below which the performance will be penalised by the lapsing of part or all of the performance shares.

The performance will be measured over three financial years.

While for reasons of confidentiality, even though they have been properly established in a precise manner, the figures for the internal criteria cannot be publicly disclosed, the targets and the level of achievement of the internal criteria will be disclosed publicly at the end of the performance measurement period.

The meeting of the Sanofi Board of Directors on 4 May 2016 decided to award a restricted performance share plan to a number of employees within the group. A total of 2,400 shares were awarded to 9 employees of the company which will vest after a three-year service period.

The company has estimated the fair value of this plan on the basis of the fair value of the equity instruments awarded, as representing the fair value of the employee services received during this period.

Fair value was measured at the date of grant. The fair value of each share awarded corresponds to the quoted market price per share as of that date Euro 61.06, adjusted for expected dividends during the vesting period.

The fair value of the restricted share plan was measured at £116,000. This amount is being recognised as an expense over the vesting period, with a corresponding increase in equity. The total expense recognised for this plan during the year ended 31 December 2016 was £26,000.

As of 31 December 2016, the total number of restricted shares outstanding was 11,350.

The total charge for the year relating to employee share based payment plans was £137,000 (2015 - £133,000). After deferred tax, the total charge was £110,000 (2015 - £109,000).