

Registered number: 01556886

GENZYME LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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GENZYME LIMITED

COMPANY INFORMATION

| | |
|----------------------------|--|
| Directors | C Bryan P Smith (resigned 13 October 2015) N Hodgson (resigned 13 October 2015) J Moretta (appointed 14 May 2015) A Prosser (appointed 14 May 2015, resigned 8 June 2016) F X Duhalde (appointed 8 June 2016) |
| Company secretary | S Morrish |
| Registered number | 01556886 |
| Registered office | 37 Hollands Road Haverhill Suffolk CB9 8PU |
| Independent Auditor | Ernst & Young LLP Statutory Auditors Apex Plaza Forbury Road Reading RG1 1YE |

GENZYME LIMITED

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GENZYME LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Introduction

The directors present their strategic report for the year ended 31 December 2015.

Transition to FRS 101

The company has transitioned to FRS 101 and taken advantage of the disclosure exemptions, to which the parent company did not object to the use of these exemptions.

Business review

The company's principal activities during the year continued to be the manufacturing of active pharmaceutical ingredients, and the Quality Control regulatory release of finished product to the market. Genzyme Limited also labels, packs, and distributes finished product pharmaceuticals into the rest of Europe.

Key performance indicators ("KPIs")

The company reviews the performance of the business using financial management reports that do not easily reconcile to the financial information contained within the statutory accounts. The focus is on variance against budget related to manufacturing activities. Revenue is excluded because all activity is inter-company and governed by transfer pricing arrangements. Therefore the focus of KPI metrics is not financial in nature.

The company uses a range of key performance indicators to monitor performance over time in line with the business objectives and strategy. These metrics are reviewed monthly by the management team, along with a number of other KPIs that are reviewed more frequently across the site as part of the company's lean visual management process. These metrics focus of the key performance areas of safety, quality compliance, delivery of product, cost and people.

Haverhill:

| | 2015 Actual | 2015 Target | 2014 Actual | 2014 Target |
|--|----------------|----------------|----------------|----------------|
| Safety: Pro-active Incident Report | 68% | 65% | 56% | 60% |
| Quality: Task Close Outs | 83% | 95% | 90% | 95% |
| Delivery: Sevelamer Plants - Otput (MT) | 590 | 620 | 743 | 660 |
| Delivery: Secondary Ops Plant Cycle Time | 3.9 | 3.4 | 3.33 | 3.40 |
| Cost: Site Spending versus Budget | 91% | <100% | 96% | < 100% |
| People: Retention | 96% | 95% | 91% | < 94% |

The safety metric indicates the total percentage of reports that were pro-active and highlighted potential risks allowing corrective actions to be put in place before an accident occurred. The level of pro-active reporting has improved over the 24 month period as a result of the drive to improve engagement of safety matters within the workforce during 2015 (internally known as the 5 Star safety culture programme).

The quality metric tracks our ability to remediate quality and compliance issues within a timely manner in order that we reduce the risk of recurrence of the problem (such as a deviation or audit observation). The metric worsened in 2015 against 2014 due to a delay in closing out Corrective and preventative Actions (CAPAs). A plan was put in place and improvements should be observed in 2016.

Plant cycle time (PCT) measures the lead time of our secondary operations activities – dispensing packaging materials to quality release of final product in calendar days. The labelling and packing operation needs to maintain its responsiveness and flexibility to market demands to remain competitive and this is measured by PCT. This metric was slightly over the 2015 target due to adverse performance in the first half of 2015, but performance improved in the second half of the year.

GENZYME LIMITED

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

Key performance indicators ("KPIs") (continued)

Manufacturing output of Sevelamer active pharmaceutical ingredient (API) in 2015 was planned to be lower than 2014 as there was an inventory build in the previous year. 2015 activity was lower than the target, due to lower demand for Sevelamer HCL resulting from the loss of Renagel sales in South America.

Labelling and pack activity of therapeutic products for 2015 was at 1.8 million, 0.2 million above budget.

Principal risks and uncertainties

The directors consider interruption to the company's supply of product and interruption of its own manufacturing and processing facilities as the principal risks and uncertainties. Risks to manufacturing and process facilities, as well as supply of product are mitigated by the use of Contract Manufacturing Organisations that can provide an alternative source of product. Inventory levels within the supply chain are maintained at a level to allow for a period of interruption in the supply of product. Risks are also managed by targeted capital investment such as in fire suppression technology. Other risks are borne by ultimate parent company Sanofi as a whole and these are discussed in their 20F filing in Item D (page 4 onwards), although this information does not form part of this report.

Financial risks

The company's financial risk management in respect of cash flow and liquidity risk is largely centralised and managed by a fellow subsidiary, through an intercompany banking arrangement. The company does not enter into any complex financial instruments nor undertake any hedging activity in its own right.

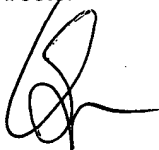
Foreign exchange risks

The company does not consider its foreign exchange risk to be significant as management of it is centralised. The company has entered into a Commercial Foreign Exchange Risk Pooling agreement which is designed to optimise access to the currency hedging market for the company.

As the company's activities are largely with other group companies, the directors do not consider price or counterparty risks significant.

This report was approved by the board on 29 September 2016 and signed on its behalf.

C Bryan
Director



GENZYME LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The directors present their report and the financial statements for the year ended 31 December 2015.

Results and dividends

The profit for the year, after taxation, amounted to £3,777,000 (2014 - £5,340,000).

No dividends for the year have been paid or proposed (2014: £NIL).

Directors

The directors who served during the year were:

C Bryan
P Smith (resigned 13 October 2015)
N Hodgson (resigned 13 October 2015)
J Moretta (appointed 14 May 2015)
A Prosser (appointed 14 May 2015, resigned 8 June 2016)

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

Charitable and political donations

The donations made by the company during the year for charitable purposes were £3,139 (2014: £9,424). There were no political donations in the year ended 31 December 2015 (2014: £NIL).

Future developments

Output of Sevelamer API is expected to be 576 MT in 2016, similar to 2015. Labelling and pack activity is expected to be maintained at 1.8m vials during the year.

A company announcement was made in November 2015 that the drug product testing, labelling, release and any associated activities for products that are fill finished at Genzyme Ireland will transfer to the Waterford site. The transfer is expected to start late 2017 and be completed early 2019.

Research and development activities

Research and development activities in the UK continue to focus on optimising existing processes and transferring or developing new processes and products. The amount incurred during the year was £7,169,000 (2014: £6,200,000)

GENZYME LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 can be developed to their full potential.

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 that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that 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 on 29 September 2016 and signed on its behalf.



C Bryan
Director

GENZYME LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GENZYME LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GENZYME LIMITED

We have audited the financial statements of Genzyme Limited for the year ended 31 December 2015, 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 the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and 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 2015 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 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 accounts. 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.

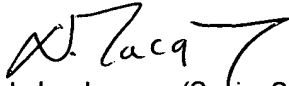
GENZYME LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GENZYME LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Nicholas Jacques (Senior Statutory Auditor)

for and on behalf of
Ernst & Young LLP

Statutory Auditors

Reading

Date: 30 September 2016

GENZYME LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

| | Note | 2015 £000 | 2014 £000 |
|---|------|---------------|----------------|
| Turnover | 4 | 85,253 | 194,677 |
| Cost of sales | | (71,620) | (178,551) |
| Gross profit | | 13,633 | 16,126 |
| Other administrative expenses | | (6,017) | (6,164) |
| Research and development costs | | (7,169) | (6,200) |
| Other operating income | 5 | 4,487 | 3,795 |
| Operating profit | 6 | 4,934 | 7,557 |
| Interest receivable and similar income | 10 | 419 | 587 |
| Interest payable and expenses | 11 | (9) | (508) |
| Other finance expense | 12 | (665) | (417) |
| Profit before tax | | 4,679 | 7,219 |
| Tax on profit | 13 | (902) | (1,879) |
| Profit for the year | | 3,777 | 5,340 |
| Other comprehensive income: | | | |
| Actuarial gain/(loss) on defined benefit schemes | | 7,032 | (10,635) |
| Current tax deduction allocated to actuarial loss | | - | 462 |
| Movements of deferred tax relating to pension deficit | | (1,554) | 1,698 |
| | | 5,478 | (8,475) |
| Total comprehensive income for the year | | 9,255 | (3,135) |

The notes on pages 13 to 40 form part of these financial statements.

GENZYME LIMITED
REGISTERED NUMBER: 01556886

BALANCE SHEET
AS AT 31 DECEMBER 2015

| | Note | £000 | 2015 £000 | £000 | 2014 £000 |
|--|------|----------|-----------------------|----------------|-----------------------|
| Tangible assets | 14 | | 54,106 | | 59,507 |
| | | | <u>54,106</u> | | <u>59,507</u> |
| Current assets | | | | | |
| Stocks | 15 | 28,394 | | 25,158 | |
| Debtors: amounts falling due within one year | 16 | 145,632 | | 124,159 | |
| Cash at bank and in hand | 17 | 536 | | 9 | |
| | | | <u>174,562</u> | <u>149,326</u> | |
| Creditors: amounts falling due within one year | 18 | (43,533) | | (28,448) | |
| Net current assets | | | <u>131,029</u> | | <u>120,878</u> |
| Total assets less current liabilities | | | <u>185,135</u> | | <u>180,385</u> |
| Provisions for liabilities | | | | | |
| Deferred tax | 13 | (464) | | (15) | |
| Other provisions | 19 | (5,194) | | (1,693) | |
| | | | <u>(5,658)</u> | <u>(1,708)</u> | |
| Net assets excluding pension liability | | | <u>179,477</u> | | <u>178,677</u> |
| Pension liability | 22 | | (11,763) | | (20,327) |
| Net assets | | | <u><u>167,714</u></u> | | <u><u>158,350</u></u> |

GENZYME LIMITED
REGISTERED NUMBER: 01556886

BALANCE SHEET (continued)
AS AT 31 DECEMBER 2015

| | Note | 2015 £000 | 2014 £000 |
|-----------------------------|------|----------------|----------------|
| Capital and reserves | | | |
| Called up share capital | 20 | 124 | 124 |
| Share premium account | | 73,567 | 73,567 |
| Revaluation reserve | | 148 | 148 |
| Capital redemption reserve | | 9,647 | 9,647 |
| Profit and loss account | | 84,228 | 74,864 |
| Total equity | | <u>167,714</u> | <u>158,350</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2016.



C Bryan
Director

The notes on pages 13 to 40 form part of these financial statements.

GENZYME LIMITED

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

| | Called up share capital | Share premium account | Capital redemption reserve | Revaluation reserve | Profit and loss account | Total equity |
|---|----------------------------|-----------------------------|----------------------------------|------------------------|----------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 January 2015 | 124 | 73,567 | 9,647 | 148 | 74,864 | 158,350 |
| Comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | - | 3,777 | 3,777 |
| Actuarial loss on defined benefit schemes | - | - | - | - | 7,032 | 7,032 |
| Movements of deferred tax relating to pension deficit | - | - | - | - | (1,554) | (1,554) |
| Other comprehensive income for the year | - | - | - | - | 5,478 | 5,478 |
| Total comprehensive income for the year | - | - | - | - | 9,255 | 9,255 |
| Equity settled share based payments | - | - | - | - | 109 | 109 |
| At 31 December 2015 | 124 | 73,567 | 9,647 | 148 | 84,228 | 167,714 |

GENZYME LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

| | Called up share capital | Share premium account | Capital redemption reserve | Revaluation reserve | Profit and loss account | Total equity |
|---|----------------------------|-----------------------------|----------------------------------|------------------------|----------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 January 2014 | 124 | 73,567 | 9,647 | 148 | 77,862 | 161,348 |
| Comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | - | 5,340 | 5,340 |
| Current tax deduction allocated to actuarial loss | - | - | - | - | 462 | 462 |
| Actuarial loss on defined benefit schemes | - | - | - | - | (10,635) | (10,635) |
| Movements of deferred tax relating to pension deficit | - | - | - | - | 1,698 | 1,698 |
| Other comprehensive income for the year | - | - | - | - | (8,475) | (8,475) |
| Total comprehensive income for the year | - | - | - | - | (3,135) | (3,135) |
| Equity settled share based payments | - | - | - | - | 137 | 137 |
| At 31 December 2014 | 124 | 73,567 | 9,647 | 148 | 74,864 | 158,350 |

The notes on pages 13 to 40 form part of these financial statements.

GENZYME LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

The financial statements of Genzyme Limited for the year ended 31 December 2015 were authorised for issue by the board of directors on 29 September 2016, and the balance sheet was signed on the board's behalf by C Bryan (Director). Genzyme Limited is incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair view.

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 SA.

The results of Genzyme Limited are included in the consolidated financial statements of Sanofi SA (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 Company transitioned from Companies Act 2006 and applicable accounting standards in the United Kingdom to Financial Reporting Standard 101 "Reduced Disclosure Framework" for all periods presented.

Transition reconciliation showing all material adjustments from the impact of first time adoption to FRS 101 is given in notes 25 and 26.

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 2015.

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 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 such a member

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. Accounting policies (continued)

2.3 Revenue

Revenue Recognition

Revenue arising from the sales of goods is presented in the statement of comprehensive income 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.

Sales of goods

Revenue from the sale of goods is recognised on dispatch 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.

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 price reductions under government programmes are estimated on the basis of the specific terms of the relevant regulations and accrued as each of the underlying sales transactions 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.

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. Accounting policies (continued)

2.4 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:

| | |
|--|--|
| Freehold property | - 20 years |
| Short term leasehold property improvements | - Period of lease, or if shorter, expected useful life |
| Plant, equipment & vehicles | - 1 to 20 years straight line |

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.

2.5 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 statement of comprehensive income 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.

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. Accounting policies (continued)

2.6 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.

2.7 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 weighted average basis. Work in progress and finished goods include labour and attributable overheads, based on normal level of activity.

2.8 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.

2.9 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.

GENZYME LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. Accounting policies (continued)

2.10 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 Profit and Loss Account. 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.

2.11 Creditors

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

GENZYME LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. Accounting policies (continued)

2.12 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.

2.13 Interest income

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

2.14 Borrowing costs

All borrowing costs are recognised in the Profit and Loss Account in the year in which they are incurred.

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. Accounting policies (continued)

2.15 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.

2.16 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.

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

Analysis of turnover by country of destination:

| | 2015 | 2014 |
|----------------|---------------|----------------|
| | £000 | £000 |
| United Kingdom | 24,723 | 10,727 |
| Rest of Europe | 54,916 | 147,209 |
| Rest of World | 5,614 | 36,741 |
| | 85,253 | 194,677 |

All turnover arose within the United Kingdom.

Analysis of turnover by type:

| | 2015 | 2014 |
|--------------------|---------------|----------------|
| | £000 | £000 |
| Sales | 78,610 | 187,724 |
| Toll manufacturing | 6,643 | 6,953 |
| | 85,253 | 194,677 |

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

5. Other operating income

| | 2015 £000 | 2014 £000 |
|------------------------|--------------|--------------|
| Other operating income | 4,487 | 3,795 |
| | <u>4,487</u> | <u>3,795</u> |

6. Operating profit

The operating profit is stated after charging:

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Research and development expenditure | 7,169 | 6,200 |
| Research and development recharged | (4,487) | (3,795) |
| Depreciation of tangible fixed assets | 7,684 | 8,041 |
| Profit/loss on sale of tangible assets | - | 18 |
| Foreign exchange differences | (133) | 321 |
| Operating lease payments | | |
| - plant and machinery | 77 | 299 |
| - land and buildings | - | 13 |
| | <u>77</u> | <u>13</u> |

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:

| | 2015 £000 | 2014 £000 |
|-----------------------------------|--------------|--------------|
| Fees for the audit of the Company | 91 | 100 |
| | <u>91</u> | <u>100</u> |

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.

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

8. Employees

Staff costs, including directors' remuneration, were as follows:

| | 2015 £000 | 2014 £000 |
|-------------------------------------|---------------|---------------|
| Wages and salaries | 14,860 | 15,089 |
| Social security costs | 1,409 | 1,142 |
| Other pension costs | 2,894 | 2,875 |
| Cost of defined contribution scheme | 1,023 | 308 |
| | <u>20,186</u> | <u>19,414</u> |

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

| | 2015 No. | 2014 No. |
|-------------------------------------|-------------|-------------|
| Administration, sales and marketing | 52 | 63 |
| Research and development | 32 | 34 |
| Manufacturing | 244 | 238 |
| | <u>328</u> | <u>335</u> |

Included in wages and salaries above are employee share option costs of £109,000 (2014 - £137,000).

9. Directors' remuneration

| | 2015 £000 | 2014 £000 |
|-----------------------|--------------|--------------|
| Directors' emoluments | 446 | 202 |
| | <u>446</u> | <u>202</u> |

During the year retirement benefits were accruing to 2 directors (2014 - NIL) in respect of defined contribution pension schemes. None of the directors (2014: none) exercised share options in the year.

The highest paid director received remuneration of £148,000 (2014 - £153,000).

The emoluments of certain directors are paid by the ultimate parent company and their services to this company are of non-executive nature. Their emoluments are deemed to be wholly attributable to their services to the ultimate parent company and accordingly the above disclosure excludes these emoluments.

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

10. Interest receivable

| | 2015 £000 | 2014 £000 |
|--|----------------------|----------------------|
| Interest receivable from group companies | 346 | 514 |
| Other interest receivable | 73 | 73 |
| | <u>419</u> | <u>587</u> |

11. Interest payable and similar charges

| | 2015 £000 | 2014 £000 |
|-------------------------------|----------------------|----------------------|
| Loans from group undertakings | 9 | 508 |
| | <u>9</u> | <u>508</u> |

12. Other finance costs

| | 2015 £000 | 2014 £000 |
|---|----------------------|----------------------|
| Net interest on net defined benefit liability | 665 | 417 |
| | <u>665</u> | <u>417</u> |

GENZYME LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

13. Taxation

| | 2015 £000 | 2014 £000 |
|---|----------------|--------------|
| Corporation tax | | |
| Current tax on profits for the year | 330 | 2,026 |
| Adjustments in respect of previous periods | 93 | 404 |
| Group taxation relief | 1,584 | - |
| | <u>2,007</u> | <u>2,430</u> |
| Total current tax | <u>2,007</u> | <u>2,430</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | (800) | (439) |
| Impact of change in tax laws and rates | (290) | - |
| Adjustments in respect of prior years | (15) | (112) |
| | <u>(1,105)</u> | <u>(551)</u> |
| Taxation on profit on ordinary activities | <u>902</u> | <u>1,879</u> |

The current tax charge for the year has been increased by £1,584,000 (2014 - £nil) because of group relief claimed from a fellow subsidiary for which a payment of £1,584,000 (2014 - £nil) will be left outstanding on an inter-company account.

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - higher than) the standard rate of corporation tax in the UK of 20.247% (2014 - 21.493%). The differences are explained below:

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Profit on ordinary activities before tax | 4,678 | 7,219 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.247% (2014 - 21.493%) | 948 | 1,552 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 60 | 65 |
| Adjustments to tax charge in respect of prior periods | 78 | 292 |
| Increase or decrease in pension fund prepayment leading to an increase (decrease) in tax | 1,423 | (2,286) |
| Additional deduction for R&D expenditure | - | (56) |
| Changes in provisions leading to an increase (decrease) in the tax charge | 5 | (6) |
| Tax credited to statement of changes in equity | (1,554) | 2,159 |
| Change in tax law and rates | (58) | 159 |
| Total tax charge for the year | 902 | 1,879 |

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 is effective from 1 April 2015. A hybrid rate of 20.247% therefore applies to the current tax charge arising during the period.

Further reductions to 19% (effective from 1 April 2017) and then to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A rate of 18% has therefore been applied to the deferred tax asset / liability at the balance sheet date.

Subsequently, the government has announced further proposals to reduce the main rate of Corporation Tax to 17% effective from 1 April 2020 which was substantively enacted after the balance sheet date. Had this rate been enacted at the balance sheet date, there would have been a reduction of £26,000 to the deferred tax liability recognised at the balance sheet date.

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

13. Taxation (continued)

Tax relating to items charged or credited to other comprehensive income

| | 2015 | 2014 |
|--|-------------|-------------|
| | £000 | £000 |
| Current tax: | | |
| Tax on defined benefit pension plans | - | (462) |
| Total current income tax | - | (462) |
| Deferred tax: | | |
| Actuarial gains/losses on defined benefit pension plan | 1,554 | (1,698) |
| Total deferred tax | 1,554 | (1,698) |
| Tax expense/(credit) in the statement of other comprehensive income | 1,554 | (2,160) |

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

| | 2015 | 2014 |
|-----------------------------------|-------------|-------------|
| | £000 | £000 |
| Provisions: | | |
| Deferred tax liability | | |
| Defined benefit pension schemes | (2,117) | (4,065) |
| Other temporary differences | (653) | (196) |
| Fixed asset temporary differences | 3,234 | 4,276 |
| | 464 | 15 |
| | 464 | 15 |

Deferred tax in the income statement

| | 2015 | 2014 |
|--------------------------------------|-------------|-------------|
| | £000 | £000 |
| Defined benefit pension schemes | 394 | - |
| Accelerated capital allowances | (1,043) | (727) |
| Other temporary differences | (456) | 176 |
| Deferred tax expense/(credit) | (1,105) | (551) |

GENZYME LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

13. Taxation (continued)

| | 2015 £000 | 2014 £000 |
|-----------------------------------|--------------|--------------|
| Provisions movement | | |
| Deferred tax liability | | |
| Brought forward | 15 | 2,264 |
| Statement of comprehensive income | (1,105) | (551) |
| Other comprehensive income | 1,554 | (1,698) |
| Carried forward | 464 | 15 |

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

14. Tangible fixed assets

| | Freehold buildings £000 | Leasehold improvements £000 | Plant, equipment & vehicles £000 | Capital work in progress £000 | Total £000 |
|---------------------------|-------------------------------|-----------------------------------|---|--|----------------|
| Cost or valuation | | | | | |
| At 1 January 2015 | 48,864 | 1,606 | 95,891 | 1,768 | 148,129 |
| Additions | - | - | - | 2,284 | 2,284 |
| Disposals | - | - | (84) | - | (84) |
| Transfers between classes | 63 | - | 773 | (836) | - |
| At 31 December 2015 | <u>48,927</u> | <u>1,606</u> | <u>96,580</u> | <u>3,216</u> | <u>150,329</u> |
| Depreciation | | | | | |
| At 1 January 2015 | 16,203 | 246 | 72,173 | - | 88,622 |
| Charge owned for the year | 1,332 | 125 | 6,227 | - | 7,684 |
| Disposals | - | - | (83) | - | (83) |
| At 31 December 2015 | <u>17,535</u> | <u>371</u> | <u>78,317</u> | <u>-</u> | <u>96,223</u> |
| Net book value | | | | | |
| At 31 December 2015 | <u>31,392</u> | <u>1,235</u> | <u>18,263</u> | <u>3,216</u> | <u>54,106</u> |
| At 31 December 2014 | <u>32,661</u> | <u>1,360</u> | <u>23,718</u> | <u>1,768</u> | <u>59,507</u> |

15. Stocks

| | 2015 £000 | 2014 £000 |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables | 7,842 | 6,621 |
| Work in progress (goods to be sold) | 20,356 | 18,089 |
| Finished goods and goods for resale | 196 | 448 |
| | <u>28,394</u> | <u>25,158</u> |

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

16. Debtors

| | 2015 | 2014 |
|------------------------------------|----------------|----------------|
| | £000 | £000 |
| Trade debtors | 611 | - |
| Amounts owed by group undertakings | 129,451 | 99,812 |
| Other debtors | 3,598 | 6,014 |
| Prepayments and accrued income | 958 | 534 |
| Tax recoverable | 11,014 | 17,799 |
| | <u>145,632</u> | <u>124,159</u> |

17. Cash and cash equivalents

| | 2015 | 2014 |
|--------------------------|-------------|-------------|
| | £000 | £000 |
| Cash at bank and in hand | 536 | 9 |
| | <u>536</u> | <u>9</u> |

18. Creditors: Amounts falling due within one year

| | 2015 | 2014 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Trade creditors | 8,684 | 5,000 |
| Amounts owed to group undertakings | 31,249 | 16,751 |
| Taxation and social security | 394 | 161 |
| Other creditors | 588 | - |
| Accruals and deferred income | 2,618 | 6,536 |
| | <u>43,533</u> | <u>28,448</u> |

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

19 Provisions

| | Environmental £000 | Long term service awards £000 | Restructuring provision £000 | Loss on contract £000 | Total £000 |
|---|-----------------------|--|------------------------------------|-----------------------------|---------------|
| At 1 January 2015 | 1,228 | 465 | - | - | 1,693 |
| Charged to the statement of comprehensive income | - | 33 | 2,648 | 820 | 3,501 |
| At 31 December 2015 | 1,228 | 498 | 2,648 | 820 | 5,194 |

Environmental

The environmental provision relates to environmental related obligations identified following the acquisition by Sanofi

Long term service awards

The long-term service awards relate to certain benefits payable to employees following employment milestones with the company. As from 1 January 2013, the liability is no longer subject to an actuarial valuation.

Restructuring Provision

A restructuring provision was made in December 2015 following the company announcement made in November that the drug product testing, labelling, release and any associated activities for products that are fill finished at Genzyme Ireland will transfer to the Waterford site. The provision relates to staff redundancy costs (based on length of service), outplacement services and training.

Loss on contract

The loss on contract relates to R&D services provided to an external party for technical development and support in relation to a new product. The project had the potential to develop into a multi year large scale manufacturing contract for the third party. The relationship with the 3rd party ended in 2016 due to a change in ownership of the third party. Due to the complexity of the product and the manufacturing process requirements the development resources utilises were greater than anticipated, resulting in an overall loss.

20. Share capital

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Allotted, called up and fully paid | | |
| 124,245 Ordinary shares of £1 each | 124 | 124 |

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

21. Capital commitments

At 31 December 2015 the Company had capital commitments as follows:

| | 2015 | <i>2014</i> |
|---|-------------|-------------|
| | £000 | <i>£000</i> |
| Contracted for but not provided in these financial statements | 326 | <i>330</i> |
| | 326 | <i>330</i> |

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

22. Pension commitments

The Company operates a Defined Benefit Pension Scheme.

The company is a member of the Genzyme Limited Retirement Benefit scheme, a defined benefit pension scheme that has been closed to new entrants since March 2011, and with effect from 1 October closed to future accrual for active members. As a result, employees can no longer pay into the scheme.

During 2011, the scheme's assets and liabilities were split between the two contributing companies, Genzyme Limited and Genzyme Therapeutics Limited on the basis of associated members. The scheme split was calculated for statutory reporting purposes only and the scheme continues to be managed in the same way under one board of trustees.

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).

Until closure of the plan, members paid a fixed-percentage contribution into their pension plan, 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.

The table below reconciles the net obligation in respect of the company's pension scheme with the amounts recognised in the financial statements.

| | 2015 £000 | 2014 £000 |
|--|---------------|---------------|
| Measurement of the obligation | | |
| Benefit obligation at the beginning of the year | 99,917 | 82,652 |
| Current service cost | 2,636 | 3,029 |
| Interest cost on benefit obligation | 3,787 | 3,764 |
| Routine plan settlements | (394) | (167) |
| Actuarial loss (gain) due to change in demographic assumptions | 481 | - |
| Actuarial loss (gain) due to change in financial assumptions | (6,510) | 13,281 |
| Actuarial loss (gain) due to Experience | (2,077) | (1,569) |
| Benefits paid from 1st quarter to 3rd quarter | (814) | (855) |
| Benefits paid 4th quarter | (290) | (218) |
| At the end of the year | 96,736 | 99,917 |

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

22. Pension commitments (continued)

| | 2015 £000 | 2014 £000 |
|---|-----------------|-----------------|
| Fair value of plan assets at beginning of year | 79,590 | 70,817 |
| Interest income on plan assets | 3,122 | 3,347 |
| Actual return (net of financial costs and tax paid by the plan) over/under the expected Interest income | (1,074) | 1,077 |
| Administration costs and tax paid during the year | (253) | (290) |
| Employees contributions (discretionary or set out in the terms of the plan and linked to service) | 407 | 571 |
| Employer contributions | 4,679 | 5,308 |
| Routine plan settlements | (394) | (167) |
| Benefits paid from 1st quarter to 3rd quarter | (814) | (855) |
| Benefits paid 4th quarter | (290) | (218) |
| Fair value of plan assets at end of year | 84,973 | 79,590 |
| | 2015 £000 | 2014 £000 |
| Fair value of plan assets at end of year | 84,973 | 79,590 |
| Benefit obligation at end of year | (96,736) | (99,917) |
| Net Defined Benefit Liability | (11,763) | (20,327) |
| | 2015 £000 | 2014 £000 |
| Current service cost | 2,636 | 3,029 |
| Employees contributions (discretionary or set out in the terms of the plan and linked to service) | (407) | (571) |
| Interest cost on Obligation | 3,787 | 3,764 |
| Interest income on plan assets | (3,122) | (3,347) |
| Administration costs and tax paid during the year | 253 | 290 |
| Remeasurement of the Net defined Benefit Liability (asset) in OCI | (7,032) | 10,635 |
| Defined Benefit (Gain) / Cost | (3,885) | 13,800 |

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

22. Pension commitments (continued)

| | 2015 £000 | 2014 £000 |
|---|---------------|---------------|
| Total Fair Value of Plan Assets as of 31st December 2015 | | |
| Cash and cash equivalent | 931 | 1,052 |
| Equity instruments | 65,075 | 60,622 |
| Debt instruments | 10,343 | 10,325 |
| Real Estate | 8,624 | 7,591 |
| Total fair value of plan assets | 84,973 | 79,590 |

Included in the fair value of plan assets at 31 December 2015 are unquoted securities amounting to £9,555,000 (2014 - £8,643,000).

The estimated amounts of employer's contributions to plan assets in 2016 are £3,000,000.

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Sensitivity analysis | | |
| Sensitivity to discount rate -0.5 point | 108,284 | 111,889 |
| Sensitivity to discount rate +0.5 point | 86,823 | 89,383 |
| Sensitivity to rate of compensation increase +0.5 point | 99,640 | 102,994 |
| Sensitivity to inflation rate +0.5 point | 106,352 | 109,288 |
| Sensitivity to medical rate of inflation +0.5 point | 96,736 | 99,917 |
| Sensitivity to rate of indexation of pension in payment +0.5 point | 100,916 | 105,756 |
| Sensitivity to rate of indexation of deferred pension +0.5 point | 99,054 | 102,291 |
| Sensitivity to mortality table | 98,769 | 102,015 |

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.

| | 2015 % | 2014 % |
|------------------------------------|-----------|-----------|
| Discount rate at 31 March | 4.00 | 3.75 |
| Rate of competition increase | 4.40 | 4.45 |
| Inflation rate | 3.15 | 3.20 |
| Indexation rate pension in payment | 2.20 | 2.10 |
| Indexation rate deferred pension | 2.05 | 2.20 |

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

22. Pension commitments (continued)

The discount rates used are based on the market yields at the balance sheet date for high quality corporate bonds. The currency and term of the corporate bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.

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

23. Commitments under operating leases

The company's key operating leases are for cold storage equipment (which expires in 2016) and fork lift trucks (which expire in 2017 and 2018). At 31 December 2015 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2015 £000 | 2014 £000 |
|----------------------------|--------------|--------------|
| Within one year | 57 | 84 |
| Between two and five years | 16 | 65 |
| | <u>73</u> | <u>149</u> |

24. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Genzyme Europe BV. 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 2014. The consolidated financial statements of sanofi are available from: sanofi, 54, Rue La Boétie, 75008 Paris, France.

GENZYME LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

25. First time adoption of FRS 101

Transition to FRS 101

For all periods up to, and including, the year ended 31 December 2014, the company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the company has prepared in accordance with FRS 101.

Accordingly, the company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the company has started from an opening balance sheet as at 1 January 2014, the company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the company in restating its balance sheet as at 1 January 2013 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for 31 December 2015 year ends retrospectively. The Company has taken advantage of the following exemptions:

- IFRS 2 Share based payment has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005. This treatment is consistent with the transitional provisions taken when the company adopted FRS 20, the UK equivalent standard.
- Cumulative actuarial gains and losses on pensions and other post-employment benefits are recognised in full in equity on the date of transition to IFRS. This is the same treatment as under UK GAAP.
- IFRS 3 Business Combinations has not been applied to business combinations that occurred before the transition date. The same classification and carrying value as stated previously under UK GAAP will be applied.
- To measure the carrying value of fixed asset investments at deemed cost, being the previous UK GAAP value at the date of transition to IFRS.

GENZYME LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

26. First time adoption of FRS 101

| | Note | As previously stated 1 January 2014 £000 | Effect of transition 2014 £000 | FRS 101 (as restated) 1 January 2014 £000 | As previously stated 31 December 2014 £000 | Effect of transition 31 December 2014 £000 | FRS 101 (as restated) 31 December 2014 £000 |
|--|------|---|---|---|--|---|--|
| Fixed assets | | 65,599 | - | 65,599 | 59,507 | - | 59,507 |
| Current assets | 2 | 325,836 | - | 325,836 | 149,426 | (100) | 149,326 |
| Creditors: amounts falling due within one year | | (214,334) | - | (214,334) | (28,448) | - | (28,448) |
| Net current assets | | 111,502 | - | 111,502 | 120,978 | (100) | 120,878 |
| Total assets less current liabilities | | 177,101 | - | 177,101 | 180,485 | (100) | 180,385 |
| Provisions for liabilities | 1,4 | (3,868) | (2,417) | (6,285) | (3,665) | 1,957 | (1,708) |
| Defined benefit pension scheme liability | 1 | (9,468) | - | (9,468) | (16,262) | (4,065) | (20,327) |
| Net assets | | 163,765 | (2,417) | 161,348 | 160,558 | (2,208) | 158,350 |
| Capital and reserves | | 163,765 | (2,417) | 161,348 | 160,558 | (2,208) | 158,350 |

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. First time adoption of FRS 101 (continued)

| | Note | As previously stated 31 December 2014 £000 | Effect of transition 31 December 2014 £000 | FRS 101 (as restated) 31 December 2014 £000 |
|--|---------|--|---|--|
| Turnover | | 194,677 | - | 194,677 |
| Cost of sales | 1,2 | (178,794) | 243 | (178,551) |
| Administrative expenses | 1 | 15,883 (12,072) | 243 (292) | 16,126 (12,364) |
| Other operating income | | 3,795 | - | 3,795 |
| Operating profit | | 7,606 | (49) | 7,557 |
| Interest receivable and similar income | | 587 | - | 587 |
| Interest payable and similar charges | | (508) | - | (508) |
| Other finance income | 1 | 1,621 | (2,038) | (417) |
| Taxation | 1,2,3,4 | (2,616) | 737 | (1,879) |
| Profit on ordinary activities after taxation and for the financial year | | 6,690 | (1,350) | 5,340 |

Explanation of changes to previously reported profit and equity:

1 Employee benefits

Because IAS 19 defines interest cost and actual return on assets in relation to the experience gains or losses on the investment assets differently, there is an increase in the finance cost of £2,038,000, a £342,000 decrease in pension service cost which is within cost of sales, an increase in administration expenses of £292,000 and a reduction in the amounts recognised in Other Comprehensive Income of £1,985,000, as a result of the transition from FRS 17 to IAS 19.

2 Storage costs within inventory

On transition to FRS 101, an amount for storage costs within inventory of £99,000 has been accounted for within cost of sales at 31st December 2014.

3 Tax

The tax effect of £737,000 relates to a £5,000 measurement difference of deferred tax on share based payments, a £21,000 tax impact of the storage in inventory adjustment, a £284,000 charge as a result of phasing out industrial buildings allowances, and a £427,000 reduction in the tax deduction allocated to actuarial loss.

4 Deferred tax

The measurement difference of £2,417,000 relates to a £2,434,000 deferred tax charge as a result of the phasing out of industrial buildings allowances, and a £17,000 deferred tax reduction in respect of share based payments.

GENZYME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. First time adoption of FRS 101 (continued)

5 Effect of transition as at 31 December 2014

Current assets has decreased by £78,000 as a result of a £99,000 storage in inventory adjustment, with an associated £21,000 deferred tax reduction. There is also a £2,153,000 deferred tax charge as a result of the phasing out of industrial buildings allowances, a £22,000 deferred tax reduction relating to share based payments and a reclass of £4,065,000 between deferred tax liability and the defined benefit pension scheme liability.