Registered number: 04316333

GENZYME THERAPEUTICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

GENZYME THERAPEUTICS LIMITED

COMPANY INFORMATION

Directors	F X Duhalde P Kuiper
Registered number	04316333
Registered office	4620 Kingsgate Cascade Way Oxford OX4 2SU
Independent Auditor	Ernst & Young LLP Statutory Auditors Apex Plaza Forbury Road Reading RG1 1YE

GENZYME THERAPEUTICS LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The directors present their strategic report for Genzyme Therapeutics Limited ("the company") for the year ended 31 December 2017.

Business review

The company is principally engaged in the sale and marketing of therapeutics products in the UK and the Republic of Ireland. The company also holds the marketing authorisation in Europe for Lemtrada.

	2017	2016	
	£000	£000	% change
Turnover	178,234	156,511	14
Operating profit	9,386	8,480	11
Shareholders' funds	42,235	31,034	36

Turnover has increased by 14% on prior year as a result of continued growth in the UK market in Aubagio, Fabrazyme and Lemtrada by 11% together with an increase in exports.

Operating profit increased by 11% on the prior year as a result of improved contribution from the product portfolio.

Shareholders' funds increased on prior year due to actuarial gains recognised on the defined benefit pension liability, as detailed in note 25.

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.

Principal risks and uncertainties (continued)

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 ("the 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 and liabilities. Short term interest bearing assets include amounts receivable from other fellow subsidiaries within the United Kingdom, which earn interest at LIBOR minus 5 basis points. Short term interest bearing liabilities include amounts payable from other fellow subsidiaries within the United Kingdom, which earn interest at LIBOR minus 5 basis points.

Long term interest bearing amounts receivable from other fellow subsidiaries earn interest at 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: 6 FEBRUARY 2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements of Genzyme Therapeutics Limited ("the company") for the year ended 31 December2017.

Results and dividends

The profit for the year, after taxation, amounted to £7,235,000 (2016 - £6,570,000).

The directors do not recommended the payment of a dividend (*2016 - £6,000,000*).

Directors

The directors who served during the year were:

F X Duhalde
P Kuiper

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 is expected to continue in the sale and marketing of therapeutics products in the UK and Republic of Ireland.

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 Strategic Report. 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 in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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, 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.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

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 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

In May 2018, it was announced that the Oxford office would relocate to Reading in July 2019.

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: 6 FEBRUARY 2019

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

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 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 GENZYME THERAPEUTICS LIMITED

Opinion

We have audited the financial statements of Genzyme Therapeutics Limited for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to 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.

Ernst & Young LLP

David Hales (Senior Statutory Auditor)

for and on behalf of
Ernst & Young LLP

Statutory Auditors

Reading
Date: 7 FEBRUARY 2019

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Turnover	4	**178,234**	156,511
Net operating expenses	5	**(168,848)**	(148,031)
Operating profit		**9,386**	8,480
Interest receivable and similar income	10	**95**	175
Interest payable and similar charges	11	**(216)**	(203)
Other finance expense	12	**(190)**	(110)
Profit before tax		**9,075**	8,342
Tax on profit	13	**(1,840)**	(1,772)
Profit for the financial year		**7,235**	6,570
Other comprehensive income:			
Actuarial gain/(loss) on defined benefit schemes		**4,450**	(3,942)
Deferred tax attributable to actuarial (gain)/loss on defined benefit scheme		**(757)**	670
Actuarial gain on long service award provision		**24**	6
Deferred tax impact of changes in tax laws and rates		**-**	(13)
		3,717	(3,279)
Total comprehensive income for the year		**10,952**	3,291

The notes on pages 14 to 39 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note		2017 £000		2016 £000
Fixed assets					
Tangible assets	15		**310**		6
			310		6
Current assets					
Stocks	16	**24,817**		18,533	
Debtors: amounts falling due after more than one year	17	**-**		1,172	
Debtors: amounts falling due within one year	17	**76,356**		96,444	
Cash at bank and in hand	18	**20**		-	
		101,193		116,149	
Creditors: amounts falling due within one year	19	**(57,737)**		(77,772)	
Net current assets			**43,456**		38,377
Total assets less current liabilities			**43,766**		38,383
Provisions for liabilities					
Other provisions	21	**(488)**		(500)	
			(488)		(500)
Pension liability	25		**(1,043)**		(6,849)
Net assets			**42,235**		31,034

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Capital and reserves			
Other reserves	23	**1,118**	869
Profit and loss account	23	**41,117**	30,165
		42,235	31,034

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 FEBRUARY 2019

F X Duhalde
Director

The notes on pages 14 to 39 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share option reserves	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2017	869	30,165	31,034
Comprehensive income for the year			
Profit for the year	-	7,235	7,235
Actuarial gains on pension scheme	-	4,450	4,450
Deferred tax attributable to actuarial gain	-	(757)	(757)
Actuarial gains on long service reward provision	-	24	24
Other comprehensive income for the year	-	3,717	3,717
Total comprehensive income for the year	-	10,952	10,952
Movement on share option reserves	249	-	249
At 31 December 2017	1,118	41,117	42,235

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

	Share option reserves	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2016	617	32,874	33,491
Comprehensive income for the year			
Profit for the year	-	6,570	6,570
Actuarial losses on pension scheme	-	(3,942)	(3,942)
Deferred tax attributable to actuarial loss	-	670	670
Actuarial gains on long service reward provision	-	6	6
Deferred tax impact of law and rate changes	-	(13)	(13)
Other comprehensive income for the year	-	(3,279)	(3,279)
Total comprehensive income for the year	-	3,291	3,291
Dividends: Equity capital	-	(6,000)	(6,000)
Movement on share option reserves	252	-	252
Total transactions with owners	252	(6,000)	(5,748)
At 31 December 2016	869	30,165	31,034

The notes on pages 14 to 39 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

The financial statements of Genzyme Therapeutics Limited ("the company") for the year ended 31 December 2017 were authorised for issue by the board of directors on 6 FEBRUARY 2019, 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 results of the company are included in the consolidated financial statements of Sanofi (20F) which are available 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 the 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 2017.

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 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 such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may have been impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the high of an asset's (or cash-generating units "CGUs") fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that impairment losses recognised in prior periods may no longer exist or may have increased.

2. Accounting policies (continued)

2.4 Operating leases: lessee

Rentals paid under operating leases are charged to 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.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

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; and
- 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 transactions isrecognised;
- 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; and
- 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.

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost 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.

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:

Building & leasehold improvements	- 10 years, or if shorter, expected lease term
Furniture, fittings and equipment	- 3 to 10 years straight line
Other fixed assets	- 3 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.

2.7 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 first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

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

2.9 Cash and cash equivalents

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

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 principallythrough 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.

2.11 Creditors

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

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.13 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.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.15 Interest income

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

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 probably requires settlement 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 Statement of Comprehensive Income 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.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.17 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 Statement of Comprehensive Income.

2. Accounting policies (continued)

2.18 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.19 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 is 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 charged or credited directly to equity. Otherwise income tax is recognised in the Statement of Comprehensive Income.

2.20 Share based payment

Sanofi, the ultimate parent of the company, has granted a number of equity-settled share-based payment plans (stock option plans) to some of the company's employees.

In accordance with IFRS 2, services received from employees as consideration for stock options are recognised as an expense in the Statement of Comprehensive Income, with the matching entry recognised in equity, as a capital contribution. The expense corresponds to the fair value of the stock option plans at the date of he grant, and is charged to the Income Statement on straight line basis over the vesting period of the plan (the 3-year or 40 year during which grantees cannot exercise their options.

The fair value of the stock option plans is measured at the grant date using the Black Scholes valuation model taking into account the expected life and cancellation rate of the options. This initial measurement is not subsequently adjusted for unless the actual cancellation rate is materially different.

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 pension 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 an 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 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:

	2017 £000	As restated 2016 £000
United Kingdom	**132,607**	119,088
Rest of Europe	**37,318**	37,222
Rest of the world	**8,309**	201
	178,234	156,511

5. Net operating expenses

	2017 £000	2016 £000
Change in stocks of finished goods and work in progress (see note 16)	**6,284**	1,276
Finished goods and consumables	**126,203**	105,437
Staff costs (see note 8)	**10,829**	11,867
Depreciation (see note 15)	**56**	54
Other external charges	**25,476**	29,397
	168,848	148,031

6. Operating profit

The operating profit is stated after charging/(crediting):

	2017 £000	2016 £000
Depreciation of tangible fixed assets	**56**	54
Exchange differences	**(376)**	400
Equipment leasing	**1**	3
Land & building leasing	**352**	175
Motor vehicle leasing	**311**	384

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:

	2017 £000	2016 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	**48**	43

8. Employees

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

	2017 £000	2016 £000
Wages and salaries	**8,222**	10,375
Social security costs	**829**	1,096
Equity settled share-based payments	**313**	318
Cost of defined contribution scheme	**1,465**	1,420
	10,829	13,209

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

	2017 No.	2016 No.
Administration, sales and marketing	**100**	118

9. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	**802**	780
Company contributions to defined contribution pension schemes	**17**	21
	819	801

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £468,000 (2016 - £671,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15,000 (2016 - £21,000).

One of the directors' services to the company is of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to Aventis Pharma Limited. Accordingly, no directors' remuneration is included in the company's disclosures.

10. Interest receivable

	2017 £000	2016 £000
Interest receivable from group companies	**95**	175

11. Interest payable and similar charges

	2017 £000	2016 £000
Other similar charges	**216**	203

12. Other finance costs

	2017 £000	2016 £000
Net interest on net defined benefit liability (Note 25)	**(3,586)**	(905)
Expected return on pension scheme assets (Note 25)	**3,396**	795
	(190)	(110)

13. Taxation

	2017	2016
	£000	£000
Corporation tax		
Adjustments in respect of previous periods	**(2)**	24
Group taxation relief	**1,532**	1,770
Total current tax	**1,530**	1,794
Deferred tax		
Origination and reversal of temporary differences	**313**	(45)
Changes to tax rates	**-**	23
Adjustments in respect of prior years	**(3)**	-
Total deferred tax	**310**	(22)
Taxation on profit on ordinary activities	**1,840**	1,772

The current tax charge for the year has been increased by £1,532,000 *(2016 - £1,770,000)* because of group relief claimed from a fellow subsidiary for a payment of £1,532,000 *(2016 - £1,770,000).*

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are reconciled below:

	2017	2016
	£000	£000
Profit on ordinary activities before tax	**9,075**	8,342
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	**1,747**	1,668
Effects of:		
Fixed asset adjustments	**8**	-
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**56**	58
Adjustments to tax charge in respect of prior periods	**(5)**	24
Increase or decrease in pension fund prepayment leading to an increase/(decrease) in the tax charge	**861**	(788)
Changes in provisions leading to an increase / (decrease) in the tax charge	**71**	(10)
Tax (charged)/credited to the Statement of Changes in Equity	**(757)**	657
Impact of change in tax law and rates	**(141)**	163
Total tax charge for the year	**1,840**	1,772

The company has no unrecognised tax losses *(2016 - £Nil)*.

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. A rate of 17% has therefore been applied to the deferred tax asset at the balance sheet date.

13. Taxation (continued)

	2017 £000	2016 £000
Tax relating to items charged or credited to other comprehensive income		
Actuarial gains/(losses) on defined benefit pension plan	**757**	(657)
Total deferred tax	**757**	(657)
Tax expense/(credit) in the statement of other comprehensive income	**757**	(657)

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

	2017 £000	2016 £000
Accelerated capital allowances	**16**	8
Other timing differences	**66**	154
Defined benefit pesions schemes	**177**	1,164
	259	1,326

	2017 £000	2016 £000
Deferred tax in the income statement		
Pension plans and other post-employment medical benefits	**231**	(25)
Accelerated capital allowances	**(9)**	(8)
Share-based payment	**88**	(12)
Impact of change in tax laws and rates	**-**	23
Deferred tax credit	**310**	(22)

14. Dividends

	2017 £000	2016 £000
Equity - Ordinary		
Interim dividend	**-**	6,000

15. Tangible fixed assets

	Buildings and Leasehold Improvements £000	Furniture, Fixtures & Equipment £000	Other Fixed Assets £000	Assets Under Construction £000	Total £000
Cost or valuation					
At 1 January 2017	7	1,245	346	-	1,598
Additions	-	-	-	360	360
Disposals	-	(557)	(125)	-	(682)
Transfers between classes	-	278	42	(320)	-
At 31 December 2017	7	966	263	40	1,276
Depreciation					
At 1 January 2017	7	1,239	346	-	1,592
Charge owned for the period	-	50	6	-	56
Disposals	-	(557)	(125)	-	(682)
At 31 December 2017	7	732	227	-	966
Net book value					
At 31 December 2017	-	234	36	40	310
At 31 December 2016	-	6	-	-	6

16. Stocks

	2017 £000	2016 £000
Finished goods and goods for resale	24,817	18,533

17. Debtors

	2017	2016
	£000	£000
Due after more than one year		
Deferred tax asset	**-**	1,172
	-	1,172

	2017	2016
	£000	£000
Due within one year		
Trade debtors	**27,702**	24,087
Amounts owed by group undertakings	**41,819**	68,817
Other debtors	**6,210**	2,871
Prepayments and accrued income	**366**	398
Deferred taxation (Note 13)	**259**	154
Financial instruments	**-**	117
	76,356	96,444

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

	2017	2016
	£000	£000
Cash at bank and in hand	**20**	-
Less: bank overdrafts	**-**	(16)
	20	(16)

19. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Bank overdrafts	-	16
Trade creditors	3,239	3,935
Amounts owed to group undertakings	33,203	58,837
Other taxation and social security	14,622	9,031
Other creditors	472	468
Accruals and deferred income	6,201	5,485
	57,737	77,772

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 interestfree. All other balances carry interest at LIBOR plus 15 basis points.

20. Financial instruments

	2017 £000	2016 £000
Financial assets		
Financial assets measured at fair value through profit or loss	20	117
Financial assets that are debt instruments measured at amortised cost	75,731	95,776
	75,751	95,893
Financial liabilities		
Financial liabilities measured at amortised cost	(42,907)	(67,701)
	(42,907)	(67,701)

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand and financial instruments.

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Other financial liabilities measured at fair value through profit or loss comprise financial derivatives.

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

21. Provisions

	Long term service awards £000	Dilapidations £000	Total £000
At 1 January 2017	94	406	500
Charged to profit or loss	20	-	20
Utilised in year	(32)	-	(32)
At 31 December 2017	82	406	488

Long term service awards

The long-term awards relate to certain benefits payable to employees following employment milestones with the company. The balance represents the actuarial valuation of benefits payable as at 31 December 2017. Of the £32,000 utilisation in the year, £24,000 was credited to Other Comprehensive Income in respect of actuarial gains.

Dilapidations

The company has provided for the expected level of dilapidations on the Oxford building up to the next break clause in the lease in 2020.

22. Share capital

	2017 £000	2016 £000
Authorised, allotted, called up and fully paid		
1 ordinary share of £1	-	-

23. Reserves

Share option reserves

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

Profit & loss account

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

24. Share based payments

Restricted share plans

Origin	Date of award	Number of shares initially awarded	Acquisition date	Availability date	Number transferred as of 31 December 2016	Number of rights cancelled as of 31 December 2016	Number outstanding
Sanofi	05/03/2013	6,850	05/03/2017	05/03/2017	(5,403)	(1,447)	-
Sanofi	05/03/2014	6,050	05/03/2018	05/03/2018		(1,750)	4,300
Sanofi	24/06/2015	3,650	25/06/2019	25/06/2019			3,650
Sanofi	04/05/2016	3,700	04/05/2019	04/05/2019			3,650
Sanofi	10/05/2017	3,950	10/05/2020	10/05/2020			3,950

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.

24. 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 10 May 2017 decided to award a restricted performance share plan to a number of employees within the group. A total of 3,950 shares were awarded to 10 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 81.50, adjusted for expected dividends during the vesting period.

The fair value of the restricted share plan was measured at £254,000. 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 2017 was £54,000.

As of 31 December 2017, the total number of restricted shares outstanding was 15,600 as the acquisition period of the plans has not yet expired.

The total charge for the year relating to employee share based payment plans was £249,000 (*2016 - £252,000*). After deferred tax, the total charge was £207,000 (*2016 - £240,000*).

25. Pension commitments

The company operates a defined benefit pension scheme and a defined contribution pension scheme.

Defined Benefit Pension Scheme

The company is a member of the Genzyme Limited Retirement Benefit Scheme, a defined benefit pension 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 the associated members. The impact of the changes was taken as an adjustment to retained earnings in 2011.

The current rate for the contribution to the scheme is 19.1% (with the employers' contribution being 13.1%). There are no expected changes to future contribution rates. As from 4 April 2011, the defined benefit pension scheme was closed to new employees. New employees have the opportunity to join the defined contribution pension scheme.

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

	2017	2016
	£000	£000
Measurement of the obligation		
At the beginning of the year	**31,008**	22,681
Interest cost on benefit obligation	**3,583**	905
Benefits paid	**(82)**	(96)
Settlements	**(816)**	(70)
Actuarial loss due to change in financial assumptions	**1,230**	8,489
Actuarial (gain) due to experience	**(2,623)**	(901)
Actuarial (gain) due to change in demographic assumptions	**(549)**	-
Benefit obligation at the end of year	**31,751**	31,008

25. Pension commitments (continued)

	2017 £000	2016 £000
Fair value of plan assets at the beginning of year	**24,159**	19,923
Interest income	**3,396**	795
Actual return (net of financial costs and tax paid by the plan) over/under the expected interest income	**2,508**	3,646
Administration costs and tax paid	**(147)**	(147)
Assets distributed on settlements	**(816)**	(70)
Contributions by employer	**1,690**	108
Benefits paid	**(82)**	(96)
Fair value of plan assets at end of year	**30,708**	24,159

	2017 £000	2016 £000
Amounts recognised in OCI		
Loss on DBO due to change in financial assumptions	**1,230**	8,489
(Gain) on DBO due to Experience	**(2,623)**	(901)
(Gain) on Assets: comparison between real return and expected interest income	**(2,508)**	(3,646)
Gain on DBO due to change in demographic assumptions	**(549)**	-
Amount recognised in OCI at end of year	**(4,450)**	3,942

	2017 £000	2016 £000
Fair value of plan assets	**30,708**	24,159
Present value of plan liabilities	**(31,751)**	(31,008)
Net pension scheme liability	**(1,043)**	(6,849)

25. Pension commitments (continued)

	2017 £000	2016 £000
Defined Benefit Cost		
Administration costs and tax paid during the year	**147**	147
Remeasurement of the Net Defined Benefit Liability in OCI	**(4,450)**	3,942
Interest cost on obligation	**3,586**	905
Interest income on plan assets	**(3,396)**	(795)
Total	**(4,113)**	4,199

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

	2017 £000	2016 £000
Total Fair Value of Plan Assets as of 31st December 2017		
Equity instruments	**7,411**	16,865
Debt instruments	**21,551**	2,902
Real estate	**1,029**	2,124
Other	**6**	2,268
Cash and cash equivalent	**565**	-
Quoted securities	**30,562**	24,159
Hedge funds	**146**	-
Other securities	**146**	-

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 2017.

25. *Pension commitments (continued)*

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

	2017 **£000**	2016 £000
Sensitivity analysis		
Sensitivity to discount rate -0.5 point	**34,542**	35,732
Sensitivity to discount rate +0.5 point	**29,233**	27,072
Sensitivity to rate of compensation increase +0.5 point	**31,909**	31,935
Sensitivity to inflation rate +0.5 point	**33,912**	34,144
Sensitivity to medical rate of inflation +0.5 point	**31,751**	31,008
Sensitivity to rate of indexation of pension in payment +0.5 point	**33,295**	32,911
Sensitivity to rate of indexation of deferred pension +0.5 point	**32,175**	32,720
Sensitivity to mortality table	**32,959**	31,841

Actuarial valuations of the company's benefit obligations were computed by management with assistance from external actuaries as of December 31, 2017, 2016, 2015, 2014 and 2013.

	2017 **%**	2016 %
Discount rate	**2.75**	2.75
Rate of compensation increase	**4.40**	4.40
Inflation rate	**3.10**	3.15
Medical inflation rate long term	**n/a**	n/a
Indexation rate pension in payment	**3.00**	2.20
Indexation rate deferred pension	**2.05**	2.05
Weight average duration (in years)	**17**	29

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 2017, 2016, 2015, 2014 and 2013.

25. Pension commitments (continued)

Defined Contribution Pension Scheme

The assets of the defined contribution pension 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 £1,465,000 *(2016 - £1,420,000)*. Contributions totaling £Nil (*2016 - £46,000*) were payable to the fund at the Balance Sheet date.

26. Commitments under operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancelable operating leases as follows:

	2017	2016
	£000	£000
Not later than 1 year	**634**	613
Later than 1 year and not later than 5 years	**515**	377
Later than 5 years	**119**	35
	1,268	1,025

27. Post balance sheet events

In May 2018, it was announced that the Oxford office would relocate to Reading in July 2019.

28. Controlling party

The immediate parent undertaking at the Balance Sheet date was 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 2017. The consolidated financial statements of Sanofi, are available from: Sanofi, 54, Rue La Boetie, 75008 Paris, France.