Novartis Pharmaceuticals UK Limited

Annual Report
for the year ended 31 December 2012

Registered no: 119006

Novartis Pharmaceuticals UK Limited
Annual Report
for the year ended 31 December 2012

Novartis Pharmaceuticals UK Limited
Directors and Advisors

Directors

E Cornut (Chairman)
S Kapadia
H Kirsch
L Prat
F Guerard

Secretary

B Holgate

Registered office

Frimley Business Park
Frimley
Camberley
Surrey
GU16 7SR

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
First Point
Buckingham Gate
Gatwick
RH6 0PP

Novartis Pharmaceuticals UK Limited

Directors' Report
for the year ended 31 December 2012

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2012. These financial statements are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

Principal activities

The principal activities of the Company during the year were the production and distribution of pharmaceutical products and pharmaceutical research and development.

The Company is a limited company, domiciled and incorporated in the United Kingdom. The Company has no overseas branches. The registered office is also the principal place of business with the address as set out on page 1.

Review of business and future developments

The results for the Company show a profit for the year of £14,438,000 (2011 : £32,583,000) and revenue of £544,297,000 (2011. £562,827,000). The Company had net assets of £59,507,000 as at 31 December 2012 (2011· £63,910,000) During the year the Directors recommended a final dividend of £20,000,000 in relation to the year ended 31 December 2012 (2011· £30,000,000)

The Directors are pleased with the performance of the Company for 2012 given the continued competitive pressure from both branded and generic pharmaceuticals present in the market

Turnover for the General Medicines Business Unit was unchanged vs. 2011. The key changes were loss of exclusivity for Diovan in May 2011 which was offset by the growth of Lucentis. Turnover for the Oncology Business Unit declined by 6 5% vs 2011. The decline was driven by the impact of the Femara loss of exclusivity in July 2011 If you exclude the impact of Femara the remainder of the business grew at a rate of 9 9% vs 2011 primarily due to Glivec and Zometa.

Turnover from Services declined by 22 6% vs. 2011 due to the phased closure of the production facility

Novartis Pharmaceuticals UK Limited
Directors' Report
for the year ended 31 December 2012 (Continued)

Principal risks and uncertainties

More recently the Company has seen other industries facing financial uncertainty with the economic downturn. The Directors do not anticipate this downturn will have a significant impact on the business due to the industry in which the Company operates.

An inherent risk to the pharmaceutical industry is the entry of generic competition and continued government pressure to control spending on NHS medicines.

Key performance indicators ("KPIs")

The Company operates in a highly complex environment and management use and review many performance measures

Four of the Company's KPIs in line with the long term strategies are as follows

	2012	2011	Comments
Decline/Growth in revenue (%)	-3.3	5.8	Revenue declined by 3.3%. General medicines was unchanged from prior year with strong growth in Ophthalmics (Lucentis), which offset the declining sales in CVM (Diovan), and reduction in manufacturing. Revenue for the Oncology Business Unit declined by 6.5% vs. 2011. The decline was driven by the impact of the Femara loss of exclusivity in July 2011 Excluding the impact of Femara the remainder of the business sales grew at a rate of 9.9% vs 2011.
Gross margin (%)	17.6	22.9	Gross margins declined by 5.3 ppt vs 2011 due to changes in the brand mix
Market share (%)	4.3	4.2	Novartis growth was in line with the market growth of 1 5%.
Number of new launches	5	3	2012: Seebri Breezhaler, Jakavi, Afinitor, Votubia in AML and Signifor 2011: Gilenya, Tobi Podhaler and Votubia

Directors

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

J Symonds (Resigned on 20th June 2013)
H Kirsch (Appointed on 20th June 2013)
L Prat
T Jose (Resigned on 3rd April 2012)
S Kapadia (Appointed on 3rd April 2012)
S Webb (Resigned on 6th September 2012)
F Guerard (Appointed on 6th September 2012)
E Cornut (Chairman) (Resigned on 24th January 2013)
G Guidi (Appointed on 24th January 2013)

Research and development

The Company maintains laboratories and other facilities and devotes considerable resources to research and development aimed at developing new products and new processes The amounts spent by the Company on research and development activities are shown in the Profit and Loss Account on page 10

Political and charitable donations

Charitable donations totalling £11,000 (2011: £25,190) were made to local charities during the year £5,000 related to the Edinburgh Malawi fund and £4,000 was a donation to Horsham in Bloom No political donations were made. All other individual donations were under £2,000

Land and Buildings

The Directors believe that the net book value of land and buildings recognised on the balance sheet is in line with the market value.

Employees

The Company gives full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities and wherever possible the Company continues the employment of, and arranges for the appropriate training of, employees who become disabled persons whilst employed by the Company. Disabled employees are treated no differently from other employees as regards training, career development and promotion opportunities. This policy was operated by the Company, where appropriate, throughout the year

Employees (continued)

The Company recognises the importance of keeping employees informed of the progress of the business. 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 Regular consultations take place with employee representatives. The employee share scheme introduced in 2002 continued to be available in 2012 to encourage employee involvement in the Company's performance The share scheme relates to shares in Novartis AG, the ultimate parent company of Novartis Pharmaceuticals UK Limited.

Directors Indemnity

The Company has entered into qualifying indemnity arrangements for the benefit of all its directors in relation to certain losses and liabilities which they may incur to third parties in the course of acting as directors of the Company and in compliance with the requirements of the Companies Act 2006. It has been in place at any time during the financial year and at the date of approval of the Directors' report.

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements (continued)

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

Directors' statement on disclosure of information to auditors

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

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

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

Independent Auditors

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

By order of the Board

S Kapadia
Director 13/09/2013

Independent auditors' report to the members of Novartis Pharmaceuticals UK Limited

We have audited the financial statements of Novartis Pharmaceuticals UK Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Reconciliation of movements in Shareholder's funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities as set out on pages 5 and 6 , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of· whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements. 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 2012 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.

Independent auditors' report to the members of Novartis Pharmaceuticals UK Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

Other matters

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
16 September 2013

Novartis Pharmaceuticals UK Limited
Profit and Loss Account
for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	3	544,297	562,827
Cost of sales		(448,486)	(434,136)
Gross profit		95,811	128,691
Other operating income		105,046	110,032
Selling and marketing costs		(92,953)	(86,900)
Research and development costs		(88,984)	(110,168)
Administrative expenses		(8,449)	(6,974)
Operating profit	4	10,471	34,681
Interest receivable and similar income	5	145	262
Interest payable and similar charges	5	(184)	(222)
Profit on ordinary activities before taxation		10,432	34,721
Tax on profit on ordinary activities	6	4,006	(2,138)
Profit for the financial year attributable to owners of the parent		14,438	32,583

The notes on pages 13 to 39 are an integral part of these financial statements.

Novartis Pharmaceuticals UK Limited

Statement of Total Recognised Gains and Losses for the year ended 31 December 2012

For the year ended 31 December	Note	2012 £'000	2011 £'000
Profit for the year		14,438	32,583
Actuarial gain / (loss) on pension obligation	18	2,995	(40,483)
Deferred tax on actuarial gain / (loss)	14	(2,145)	9,476
Loss / (gain) on post retirement medical benefit		105	(45)
Net profit / (loss) not recognised in the Profit and Loss Account		955	(31,052)
Total recognised gains and losses relating to the year		15,393	1,531

Cumulative actuarial losses on the pension scheme amount to £69,896,000 (2011 £72,891,000), recognised directly in the Statement of Total Recognised Gains and Losses

The notes on pages 13 to 39 are an integral part of these financial statements.

Novartis Pharmaceuticals UK Limited

Balance Sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed Assets			
Tangible Assets	8	75,943	85,251
Investments	9	28,100	28,100
		104,043	113,351
Current assets			
Stocks	10	71,139	45,128
Debtors	11	62,385	68,569
Deferred tax asset	14	2,496	-
Cash at bank and in hand		4,854	-
		140,874	113,697
Creditors – amounts falling due within one year			
Creditors	13	115,984	66,433
Provisions for liabilities	15	9,514	28,580
		125,498	95,013
Net current assets		15,376	18,684
Creditors – amounts falling due after more than one year			
Financial liabilities: borrowings	12	19,000	19,000
Deferred tax liabilities	14	-	4
Pension deficit	18	23,896	32,869
Provisions for liabilities	15	17,016	16,252
		59,912	68,125
Net assets		59,507	63,910
Capital and Reserves			
Ordinary shares	16	5,400	5,400
Share option recharge reserve		(2,594)	(2,798)
Profit and loss reserve		56,701	61,308
Total shareholders' funds		59,507	63,910

The notes on pages 13 to 39 are an integral part of these financial statements.
The financial statements of Novartis Pharmaceuticals UK Limited (registered no: 119006) on pages 9 to 39 were approved by the Board of Directors and were signed on its behalf by:

S Kapadia
Director 13/09/2013

Novartis Pharmaceuticals UK Limited

Reconciliation of movements in Shareholder's funds

	Share capital £'000	Share option recharge reserve £'000	Profit and Loss Reserve £'000	Total £'000
At 1 January 2011	5,400	(3,240)	89,777	91,937
Profit for the financial year	-	-	32,583	32,583
Actuarial loss on retirement benefit schemes	-	-	(40,483)	(40,483)
Deferred tax on actuarial loss on retirement benefit schemes	-	-	9,476	9,476
Gain on post retirement medical benefit			(45)	(45)
Dividends	-	-	(30,000)	(30,000)
Share options	-	442	-	442
At 31 December 2011	5,400	(2,798)	61,308	63,910
At 1 January 2012	5,400	(2,798)	61,308	63,910
Profit for the financial year	-	-	14,438	14,438
Actuarial gain on retirement benefit schemes	-	-	2,995	2,995
Deferred tax on actuarial gain on retirement benefit schemes	-	-	(2,145)	(2,145)
Dividends	-	-	(20,000)	(20,000)
Share options	-	204	105	309
At 31 December 2012	5,400	(2,594)	56,701	59,507

The share option recharge reserve represents shares and options purchased on behalf of qualifying employees, from either the open market or the ultimate parent company, which are still to vest in future years The share options and any recharges made by the parent company in respect of options granted are expensed over the vesting period of the options with the corresponding amount being taken to share option reserve.

The notes on pages 13 to 39 are an integral part of these financial statements.

1 Principal accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 22 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The Company has adopted the intermediate parent exemption under section 400 of the Companies Act 2006, whereby it is not required to prepare consolidated financial statements as the ultimate parent company prepares publicly available consolidated financial statements in accordance with IFRS

These are the first financial statements of the Company prepared in accordance with FRS 101 The Company's date of transition to FRS 101 is 1 January 2011. The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements

FRS 101 sets out amendments to EU – adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The impact of these amendments to the Company's previously adopted accounting policies in accordance with EU – adopted IFRS was not material on the shareholders' equity as at the date of transition and as at 31 December 2011 and on the profit or loss for the year ended 31 December 2011.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows.
- Statement of cash flows
- Capital risk management
- Related party transactions
- Accounting policies issued but not yet effective
- Reduced disclosures in relation to share options

The financial statements have been prepared under the historical cost convention. A summary of the more important accounting policies is set out below

1 Principal accounting policies (continued)

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates The critical accounting policies of the Company pertain primarily to pensions and Sales deduction provision which are described in further detail below.

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

FRS 101 Reduced Disclosure Framework has been early adopted and the standard has been applied for the first time for the financial year beginning 1 January 2012

Turnover recognition

Turnover represents amounts received for packaged drugs sold primarily in the UK, net of trade discounts, rebate provisions, VAT and other related taxes. All turnover is recognised at the date of delivery when the risks and rewards transfer. Rebate provisions are calculated to represent management's best estimate of the likely rebate payments that will be required, taking into account historical rebate rates and expected drug efficacy. In addition, the Company also provides manufacturing services on a toll basis to fellow group undertakings, turnover from which is recognised at the point of shipment when the risks and rewards transfer

Other operating income

Other operating income represents the reimbursement of costs from other group companies, primarily relating to certain costs incurred in research and development activities. These amounts are recognised at a mark up when research and development costs are incurred

Research and development

Research and development expenditure incurred on behalf of the ultimate parent company in Switzerland is written off to the Profit and Loss Account in the year in which it is incurred unless the development project meets the recognition criteria specified in IAS 38 in which case these costs are capitalised. This expenditure is recovered from the ultimate parent company and recorded in other operating income.

Leases

Costs in respect of operating leases, that is where the risks and rewards of ownership remain with the lessor, are charged on a straight line basis over the term of the lease in arriving at the operating profit for the year.

1 Principal accounting policies (continued)

Tangible Assets

All property, plant and equipment are carried at cost less accumulated depreciation and impairment losses Cost represents the original purchase price of the asset and any costs attributable to bringing the asset to its working condition for its intended use. No provision is made for depreciation on freehold land Depreciation is calculated so as to write off the cost less estimated residual value of other assets on a straight line basis over the expected economic useful lives, commencing when the assets are first brought into use The principal annual rates used for this purpose are.

Buildings	20 - 40 years
Plant, machinery and equipment	3 - 15 years
Assets under construction	Not depreciated until brought into use

The residual values and the remaining useful economic lives are reviewed on an annual basis.

Assets are tested for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Stocks

Stock and work in progress are valued at the lower of cost and net realisable value.

Cost includes expenditure which is incurred in the normal course of business in bringing the product or service to its present location and condition and a due proportion of overhead expenses Net realisable value is the estimated selling price less all further costs to completion and estimated selling costs

Provision is made for obsolescent, slow moving and defective stock.

Investments

Investments are stated at cost unless, in the opinion of the Directors, an impairment in the value of the investment has occurred. In these circumstances the investment is stated at its written down value and the related impairment is charged to the Profit and Loss Account. Directors perform an impairment review annually.

Cash at bank and in hand

Cash at bank and in hand comprise deposits with banks. In the Balance Sheet, bank overdrafts are included in borrowings in current liabilities

1 Principal accounting policies (continued)

Debtors

Debtors are recognised initially at fair value less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade debtor is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Profit and Loss Account within 'selling and marketing costs'.

When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the Profit and Loss Account.

Pension costs

The Company contributes to the group defined contribution and defined benefit pension schemes, which are operated by Novartis UK Limited.

The liability or asset recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets, together with adjustments for any actuarial gains or losses and unrecognised past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability

Employee benefit costs (continued)

The Company recognises, in accordance with IAS 19, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in full as they arise, outside of the Profit and Loss Account. They are presented in the Statement of Total Recognised Gains and Losses, with the exception of gains and losses arising from changes in the benefits regarding past services, which are recognised in the Profit and Loss Account

Past service costs are recognised immediately in the Profit and Loss Account unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortised on a straight line basis over the vesting period.

The interest and service costs associated with defined benefit schemes are recognised in the Profit and Loss Account.

The contributions to defined contribution plans are recognised as an expense as the costs are incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Amounts in respect of these plans are held in separately administered funds

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Provisions for liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

Post retirement medical benefits are paid to certain former employees and full provision is made in the financial statements.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation The increase in the provision due to the passage of time is recognised as interest expense.

Current taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred taxation

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements However, the deferred tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

Share-based payments

In accordance with IFRS 2 the fair value of the equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the estimate of shares and options that will eventually vest In the case of options granted, fair value is measured by use of the trinomial model. Further details are set out in note 17.

Share Capital

Ordinary shares are classified as equity.

Dividends

Dividends are recorded in the financial statements once they have been authorised and the Company is committed to making the payment. Interim dividends are recorded when paid.

Foreign currencies

Foreign currency transactions during the year are translated into sterling at the rates of exchange in force at the time they arise. Both the functional and presentational currency is sterling.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Translation differences are taken to the Profit and Loss Account.

2 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual related results. Estimates and judgements are continually evaluated and are based on historical experience and other factor, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are addressed below.

a) Sales Deduction Provision

The Company entered into an agreement with the National Institute for Clinical Excellence (NICE) in 1998 for the supply of Lucentis to the National Health Service for wet AMD under a Patient Access Scheme which resulted in provision for expected future claims. This agreement was replaced in May 2012 by direct discount arrangement and all liabilities under the previous scheme were settled by year end.

b) Pensions

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

2 Critical accounting estimates and assumptions (continued)

Pensions (continued)

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high quality (AA rated) bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions, additional information is disclosed in note 18.

3 Turnover

The Directors consider that the operations of the Company fall into one business class, being the production and distribution of pharmaceutical products and turnover from Manufacturing for the Novartis Group.

The categories of turnover are as follows:

	2012 £'000	2011 £'000
Sale of goods	512,729	522,039
Turnover from manufacturing services provided to Novartis Group	31,568	40,788
	544,297	562,827

4 Operating Profit

	2012 £'000	2011 £'000
The following items have been charged in arriving at operating profit:		
Employee benefit expenses (note 17)	99,447	114,157
Depreciation of property, plant and equipment (note 8)	16,659	25,545
Loss on disposal of property, plant and equipment	562	324
Other operating lease rentals payable	2,244	2,106
Repairs and maintenance expenditure on property, plant and equipment	2,945	3,431
Exchange differences	75	200
Services provided by the Company's auditors		
- fees payable for the audit	103	103

5 Interest receivable and similar income and Interest payable and similar charges

	2012 £'000	2011 £'000
Interest payable and similar charges		
Interest payable on bank overdraft and loans	(151)	(205)
Interest payable on loans from group undertakings	(33)	(17)
	(184)	(222)
Interest receivable and similar income on cash on deposits:	145	262
	145	262
Net interest (payable) / receivable	(39)	40

6 Tax on profit on ordinary activities

Analysis of credit / (charge) in the year	2012 £'000	2011 £'000
Current tax - continuing operations		
- UK corporation tax on profits of the year	701	8,263
- Over provision in respect of prior year	(62)	(1,424)
Total Current Tax	639	6,839
Deferred tax		
Origination and reversal of timing differences (accelerated capital allowances and other)	(2,812)	(4,639)
Adjustment in respect of prior years	(1,833)	(62)
Total Deferred Tax (note 14)	(4,645)	(4,701)
Total Tax credit / (charge)	(4,006)	2,138

Tax on items charged /(credited) to equity	2012 £'000	2011 £'000
Deferred tax charge / (credit) on actuarial gains (note 18)	2,145	(9,476)

6 Tax on profit on ordinary activities (continued)

The credit / (charge) for the year can be reconciled to the profit per the Profit and Loss Account as follows:

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	10,432	34,721
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 24 5% (2011: 26.5%)	2,556	9,201
Effects of·		
Expenses not deductible for tax purposes	236	509
Effects of rate changes	(1,413)	(1,516)
Research and development tax credits	(3,490)	(4,570)
Adjustments in respect of prior years – deferred tax	(1,833)	(62)
Adjustments in respect of prior years – income tax	(62)	(1,424)
Tax (credit)/charge for the year	(4,006)	2,138

Factors that may affect future tax charge:

Current tax assets for the current and prior years are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. As such, current tax assets have been recognised at an effective rate of 24.5% (2011· 26.5%).

The Finance Act 2012, which was substantively enacted in July 2012, included provisions to reduce the rate of corporation tax to 23% with effect from 1 April 2013 Accordingly, deferred tax balances have been revalued to the lower rate of 23% in these financial statements.

The government has announced that it intends to further reduce the rate of corporation tax to 21% with effect from 1 April 2014. As this legislation was not substantively enacted by 31 December 2012, the impact of the anticipated rate change is not reflected in the tax provisions reported in these financial statements.

7 Dividends

	2012 £'000	2011 £'000
370 4p per £1 share (2011: 555.6p)	20,000	30,000

Novartis Pharmaceuticals UK Limited
Notes to the Financial Statements
for the year ended 31 December 2012 (continued)

8 Tangible Assets

	Freehold land	Buildings	Plant, machinery & equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2012	11,378	113,871	85,570	2,360	213,179
Additions at cost	-	15	3,380	5,367	8,762
Transfers	-	3,907	2,037	(5,944)	-
Disposals	-	(81)	(3,182)	-	(3,263)
At 31 December 2012	11,378	117,712	87,805	1,783	218,678
Accumulated depreciation					
At 1 January 2012	-	(58,540)	(69,388)	-	(127,928)
Charge for the year	-	(9,761)	(6,898)	-	(16,659)
Disposals	-	46	1,806	-	1,852
At 31 December 2012	-	(68,255)	(74,480)	-	(142,735)
Net book value					
31 December 2012	11,378	49,457	13,325	1,783	75,943
31 December 2011	11,378	55,331	16,182	2,360	85,251

Included in tangible assets are the following:

(a) Capitalised interest at cost amounting to £523,000 (2011: £523,000)

(b) Assets with a cost of £65,904,160 (2011: £53,718,841) are fully depreciated but still in use.

9 Investments

The investment in subsidiary undertakings is made up as follows:

	2012 £'000	2011 £'000
Investment at 1 January and 31 December	28,100	28,100
	28,100	28,100

	Percentage of Voting rights and Issued Share capital (ordinary shares)	Nature of Business
NeuTec Pharma Limited	100%	Non-trading

The Company acquired NeuTec Pharma Limited from Novartis Pharma AG on 18 November 2011 for £28,100,000 NeuTec Pharma Limited is a non trading entity with total net assets of £28,339,000 (2011: £28,400,000) as at 31 December 2012

The Directors believe that the carrying value of the investment is supported by its underlying assets.

10 Stocks

	2012 £'000	2011 £'000
Materials & consumables	901	873
Work in progress	886	1,625
Finished goods	69,352	42,630
	71,139	45,128

The Company consumed £408,302,434 (2011: £400,314,552) of stocks during the year.

Included above are finished goods of £ Nil (2011: £ Nil) carried at net realisable value being lower than cost for which full provision has been made.

The Company has increased the stock provision to £2,096,550 (2011· £470,208) to reflect changes in stock management, slow and obsolete stock.

11 Debtors

Amounts falling due within one year:	2012 £'000	2011 £'000
Trade debtors (financial assets)	22,972	31,037
Less: Provision for impairment of trade debtors	(129)	(279)
Net Trade Debtors	22,843	30,758
Amounts owed by fellow group undertakings (financial asset)	33,461	33,668
Other debtors (financial asset)	1,829	2,108
Prepayments and accrued income	1,276	2,035
Current Tax Asset	2,976	-
	62,385	68,569

Concentrations of credit risk with respect to trade debtors are limited due to the Company's customer base being large and unrelated Due to this, management believes there is no further credit risk provision required in excess of normal provision for doubtful debtors.

All debtors are stated at book value which approximate to fair value and are denominated in pounds.

Amounts owed by fellow group undertakings are charged interest at the HSBC base rate plus 1% which at 31 December 2012 was 1.5% (2011· 1 5%) where the related party is part of the HSBC borrowing group. These are all repayable on demand.

12 Financial liabilities - borrowings

	2012 £'000	2011 £'000
Current		
Unsecured bank overdrafts due within one year or on demand	-	1,720
Unsecured loans from group undertakings due within one year or on demand	-	2,000
	-	3,720
Non current		
Unsecured loans from group undertakings due after one year	19,000	19,000
Total financial liabilities – borrowings	19,000	22,720

The Company is party to a composite cross guarantee arrangement in relation to the bank overdrafts, as referred to in note 20. Loans from group undertakings consist of non interest bearing loans with fellow subsidiaries of £19,000,000 (2011: £19,000,000) which are due on 31 December 2014, early repayments are possible on mutual agreement by both parties.

Interest bearing loans in prior years bore interest at the HSBC base rate plus 1% All loans are unsecured.

The effective interest rates as at the balance sheet dates were as follows.

	2012	2011
Interest bearing loans from group undertakings	N/A	1.5%
Bank overdraft	N/A	1.5%

The carrying value of borrowings approximates to fair value as the impact of discounting is not significant.

The note above analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

13 Creditors

Amounts falling due within one year:	2012 £'000	2011 £'000
Creditors (financial liability)	19,053	17,041
Amounts owed to fellow group undertakings (financial liability)	59,283	4,573
Other tax and social security payable	11,009	8,600
Other creditors (financial liability)	8,298	3,848
Accruals and other liabilities (financial liability)	18,341	24,713
Borrowing (financial liability)	-	3,720
Current tax liability	-	3,938
	115,984	66,433

Creditors are stated at book value which approximates to their fair value. No security has been given by the Company in respect of the payables detailed above. The Company has standard payment terms for trade suppliers of settlement of account by last day of the following month These payment terms are on all purchase orders raised by the Company and there are no material creditors subject to different terms. The Company has no derivative financial liabilities

Amounts owed to fellow group undertakings charge interest at the HSBC base rate plus 1% which at 31 December 2012 was 1.5% (2011. 1.5%).They are all repayable on demand.

The above creditors are due within one year based on the remaining period at the balance sheet date to the contractual maturity date The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

14 Deferred tax liabilities and assets

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior year. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23% (2011· 25%)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date As such, deferred tax assets and liabilities have been recognised at the rate of 23% (2011·25%)

Movement on deferred taxation balance in the year	2012 £'000	2011 £'000
At 1 January	4	14,181
Profit and Loss Account	(4,645)	(4,701)
Retained earnings - retirement benefit obligations	2,145	(9,476)
At 31 December	(2,496)	4

	2012 £'000	2011 £'000
Capital allowance in excess of depreciation	8,625	12,032
Retirement benefit obligations	(5,509)	(8,232)
Share based payments	(5,572)	(3,752)
Other short term timing difference	(40)	(44)
Total deferred tax	(2,496)	4

	2012 £'000	2011 £'000
Deferred tax assets	(11,121)	(12,028)
Deferred tax liability	8,625	12,032
Net deferred tax (asset) / liability	(2,496)	4

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax asset at 31 December 2012 was £2,496,000 (2011: £4,000 liability).

Novartis Pharmaceuticals UK Limited

Notes to the Financial Statements
for the year ended 31 December 2012 (continued)

15 Provisions for liabilities

	Post-Retirement Medical Benefit	Sales Deduction Provisions*	Restructuring Provisions**	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2012	339	33,917	10,576	-	44,832
Additional provisions	40	20,336	3,302	114	23,792
Utilised in the year	(89)	(19,255)	(2,700)	-	(22,044)
Released in the year	(68)	(18,318)	(1,664)	-	(20,050)
At 31 December 2012	222	16,680	9,514	114	26,530

Analysis of total provisions for liabilities:

	2012	2011
Current	9,514	28,580
Non-current	17,016	16,252
	26,530	44,832

*Sales Deduction Provisions
Further details are provided in Accounting Note 2a Critical accounting estimates and assumptions

**Restructuring Provisions
In 2012, the short-term provision of £7,829,000 (2011· £6,627,000) relates to a restructuring of our manufacturing site in Horsham The provision relates mainly to redundancies.

16 Called up share capital

Authorised	2012 £'000	2011 £'000
6,000,000 ordinary shares of £1 each	6,000	6,000
	6,000	6,000

Issued and fully paid	Shares	2012 £'000	Shares	2011 £'000
Ordinary shares of £1 each				
At 1 January	5,400,000	5,400	5,400,000	5,400
At 31 December	5,400,000	5,400	5,400,000	5,400

17 Employees and directors

Employee benefit expenses during the year	2012 £'000	2011 £'000
Wages and salaries	81,283	97,898
Share based payments	2,594	2,666
Social security costs	9,416	9,393
Pension costs	6,154	4,200
	99,447	114,157

Average monthly number of people (including executive directors) employed	2012 no	2011 no.
Manufacturing	189	213
Research & development	456	597
Administration & marketing	665	701
	1,310	1,511

Directors	2012 £'000	2011 £'000
Aggregate emoluments	819	417
Company contributions to money purchase pension schemes	61	16
	880	433

17 Employees and directors (continued)

Mr J Symonds, Mr E Cornut, and Mr L Prat are remunerated by the ultimate parent company in Switzerland for their services in the Novartis Group and no recharge is made to the Company Their remuneration is therefore not included in the above figures.

No Director (2011. none) who is remunerated in the UK exercised options and no Director (2011. none) received shares under a long term incentive scheme in 2012.

Aggregate emoluments for the highest paid Director were £370,000 (2011: £326,000) The accrued pension for the highest paid Director was £30,000 (2011: £nil) per annum under the defined benefit scheme and £nil (2011· £16,280) accrued lump sum under the money purchase scheme at the end of the year. No share options (2011: none) were exercised by the highest paid Director. No shares were received by the highest paid Director in respect of qualifying services under a long-term incentive scheme during the year (2011: none).

One Director (2011 one) is accruing benefits under the ultimate parent company's defined benefit scheme, the costs of which are recharged to the Company No directors (2011: none) are accruing benefits under defined contribution schemes.

Employee Share Participation Plans

Employee and management share participation plans consist of both share option plans and share plans.

Senior management share plans

Under the current plan, tradable share options and restricted stock are granted annually as part of remuneration of executives and other employees, as selected by senior management and reviewed and agreed by the Equity Schemes Board of Novartis International AG. Both the option and restricted stock grants have a three year vesting period. Options must be exercised within 10 years from grant date. Each option entitles the holder to acquire one Novartis AG share at the exercise price, being the market value of the shares on grant date

The Novartis Share Incentive Plan ("SIP") is an HMRC approved plan open to all UK permanent employees Eligible employees may contribute up to £125 each month and the trustee of the plan uses the money to buy shares on their behalf. For every two shares purchased the Company purchases another matching share at market price on grant date The shares received under this plan have a three year vesting period. UK based directors are eligible to participate in the SIP

17 Employees and directors (continued)

General employee share plans

The Incentive Conversion Plan provides incentive for certain employees where 10% of the annual bonus can be converted to shares. Shares received under the plan have a three year vesting period and are matched with one share for every two shares purchased at market price on due date. In 2012 employees received 4,538 (2011: 2,838) shares under the scheme.

The market value of the shares held in trust at year end was £10,112,290 (2011: £10,656,318).

The following table shows the assumptions on which the valuation of share options granted under senior management share plans during the period was based on:

	2012	2011
Valuation date	19 January 2012	19 January 2011
Expiration date	19 January 2022	19 January 2021
Closing share price on grant date	CHF 54.20	CHF 54.70
Exercise price	CHF 54 20	CHF 54 70
Volatility	14.85%	14.90%
Expected dividend yield	4.82%	4.82%
Interest rate	0.94%	2.06%
Market value of option at grant date	CHF 4.30	CHF 5 06

17 Employees and directors (continued)

All options were granted at an exercise price which was equal to or greater than the market price of the Group's shares at the grant date.

The expenses recorded in the 2012 Profit and Loss Account related to the general employee share plans amounted to £2,594,000 (2011 £2,666,000)

The weighted average exercise price for options that were sold or exercised in the year was CHF 56.63.

The following table summarises information about the share options outstanding at 31 December 2012:

	Options outstanding			Options exercisable	
Range of exercise prices CHF	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
40 – 49	80,830	-	49.00	80,830	49.00
50 – 59	677,392	4 95	55 82	368,764	56 00
60 – 69	182,288	5.00	64.05	-	64.05
70 – 79	282,039	3 70	72 25	282,039	72 25
Total	1,222,549	4 34	60 39	731,633	61.49

The weighted average exercise prices and the fair value of options granted are quoted in Swiss Francs (CHF), the currency of issue of such options in the ultimate parent company.

18 Retirement benefit obligations

The Company participates the defined benefit and defined contribution pension schemes for the UK employees of the wider Novartis Group, with assets held in a separately administered fund. The defined benefit costs and contributions attributable to the Company are calculated on a pro-rata basis on employee numbers. Towers Watson are the advising actuaries for the Company scheme. All actuarial gains and losses are recognised through the Statement of Total Recognised Gains and Losses, with the exception of gains and losses arising from changes in the benefits regarding past services, which are recognised in the Profit and Loss Account.

In the defined benefit plan (final salary scheme) contributions over the year ended 31 December 2012 were paid by members of 4% (minimum) or 6% (voluntary) of pensionable pay per annum (2011: 4% (minimum) or 6%(voluntary)) and by the Company of 20% of pensionable pay per annum (2011· 15% to March and 20% from April to December).

Pension costs for defined contribution schemes are as follows:

	2012 £'000	2011 £'000
Defined contribution schemes	6,427	3,580

Defined benefit plans

In calculating the liabilities of the defined benefit scheme, the following financial assumptions have been used:

	2012 % pa	2011 % pa	2010 % pa	2009 % pa	2008 % pa
Discount rate	4.75	5.00	5.75	5 75	6 25
Salary growth	n/a[2]	4.20	4.70	4 80	4 10
RPI	3 10	3 20	3.70	3 80	3 10
Pension-in payment increases	3 10	3 20	3 70	3.80	3.10
Post retirement mortality assumption	S1NMA/ S1NFA[1]	S1NMA/ S1NFA	S1NMA/ S1NFA	PNMA00/ PNFA00[1]	PNMA00/ PNFA00[1]
Expected return on assets	n/a[3]	7 20	7 20	7 50	7 20

(1) These are updated versions of the PA92 standard mortality tables to allow for more recent mortality experience. The standard table has been projected forward in line with the medium cohort projection from 2000 onwards based on each members' year of birth.

(2). Following the closure of the scheme, pension payments are linked to RPI rather than salary growth and hence this measure is no longer applicable.

(3) Following the expected adoption of IAS 19R the return on assets will no longer be applicable with the discount rate being used to calculate interest income on plan assets.

18 Retirement benefit obligations (continued)

The expected return on plan assets is a blended average of projected long term returns for the various asset classes. Asset classes are based on the forward looking building block approach. Equity returns are developed based on the selection of an equity risk premium above the risk free rate which is measured in accordance with the yield on government bonds Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the plan's holdings of these instruments Other assets comprise investments in property and expected returns reflect long-term real rates of return experienced in the respective markets.

Under the current pension scheme rules, retiring employees are allowed to take up to a maximum of 25% of the value of their pension fund as a lump sum. The scheme valuation has assumed a 15% (2011: 15%) conversion rate since it is not expected that all employees will take the maximum cash lump sum

The expected return on assets for 2013 is 4 73%.

The major categories of assets as a percentage of total plan assets are as follows:

Asset category	2012		2011	
	£'000		£'000	
Equities and hedge funds	136,880	47 2%	119,406	46 9%
Bonds	105,848	36 5%	98,529	38.7%
Other	47,270	16.3%	36,662	14.4%
Total	289,998	100.0%	254,597	100.0%

The amounts recognised in the Balance Sheet are determined as follows:

	2012 £'000	2011 £'000
Fair value of plan assets	289,998	254,597
Present value of defined benefit obligation	(313,894)	(287,466)
Deficit in the Balance Sheet	(23,896)	(32,869)

The Directors have recognised the pension deficit as at the year end of £23,896 (2011: £32,869 deficit)

Novartis Pharmaceuticals UK Limited
Notes to the Financial Statements
for the year ended 31 December 2012 (continued)

18 Retirement benefit obligations (continued)

The amounts recognised in the Profit and Loss Account are as follows:

	2012 £'000	2011 £'000
Current service cost	-	6,208
Interest cost	14,375	14,174
Expected return on plan assets	(14,648)	(17,503)
Curtailment gains	-	(2,302)
Special termination benefits	-	43
Total included within employee benefit expenses (note 17)	(273)	620

Change in the defined benefit obligation:

	2012 £'000	2011 £'000
Present value of defined benefit obligation at start of year	287,466	246,463
Current service cost	-	6,208
Interest paid	14,375	14,174
Actuarial loss / (gain)	12,053	20,985
Curtailments	-	(2,302)
Employee contributions	-	1,895
Special termination benefit	-	43
Present value of defined benefit obligation at end of year	313,894	287,466

Change in plan assets:

	2012 £'000	2011 £'000
Fair value of plan assets at start of year	254,597	244,091
Expected return on plan assets	14,648	17,503
Actuarial gain / (loss) on plan assets	15,048	(19,498)
Employer contributions	5,705	10,606
Plan participants' contributions	-	1,895
Fair value of plan assets at end of year	289,998	254,597

18 Retirement benefit obligations (continued)

Amount recognised in the Statement of Total Recognised Gains and Losses:

	2012 £'000	2011 £'000
Actuarial loss on defined benefit obligation	12,053	20,985
Actuarial (gain) / loss on plan assets	(15,048)	19,498
Actuarial (gain) / loss	(2,995)	40,483
Deferred tax on actuarial (gain) / loss	2,145	(9,476)
Net (gain) / loss recognised in the in the Statement of Total Recognised Gains and Losses	(850)	31,007

The history of experience (gains) / losses:

	2012	2011	2010	2009	2008
Experience losses / (gains) on plan assets (£'000)	15,048	19,498	(14,351)	26,578	(56,902)
Percentage of plan assets	5.19%	7 66%	5.88%	9.89%	25 73%
Experience losses / (gains) on plan liabilities (£'000)	12,053	20,985	(17,183)	62,861	(50,651)
Percentage of plan obligation	3.84%	7.0%	6.97%	20.82%	23.03%
Fair value of plan assets (£'000)	289,998	254,597	244,091	268,794	221,118
Present value of plan obligation (£'000)	313,894	287,465	246,463	301,912	219,981
(Deficit) / Surplus (£'000)	(23,896)	(32,869)	(2,372)	(33,118)	1,137

The liabilities of the scheme are gradually settled over time until all members have left. As per the wind-up rule, any remaining assets must be distributed to the companies in the scheme.

The company expects to contribute £ 5,484,000 to the Group pension scheme in 2013. (2012 £ 5,298,000)

19 Operating lease commitments – minimum lease payments

Commitments under non-cancellable operating leases expiring	2012 £'000	2011 £'000
Vehicles and Other assets		
- within one year	2,289	2,233
- two to five years	3,429	4,285
	5,718	6,518
Buildings & Land		
- within one year	880	-
- two to five years	3,520	-
	4,400	-

20 Contingent liabilities

The Company is party to a composite cross-undertaking to its principal banker (HSBC plc) to secure the liabilities to the bank of its fellow UK group companies. The contingent liability is limited to the net cash position of the Company's own bank accounts of £244,000 (2011: £ Nil), to the extent that it is required to cover the total liabilities of the group companies who are party to the cross guarantee.

The maximum potential liability for the total UK group is limited to the overdraft position of the UK companies bank accounts, calculated on cleared funds. As at 31 December 2012 the net borrowing and overdraft position of the UK companies was £655,000 (2011. net borrowing and overdraft position £75,231,000).

The total facility for the total UK group is a £6m overdraft facility (2011: £65m borrowing facility and £35m overdraft).

21 Capital and other financial commitments

	2012 £'000	2011 £'000
Contracts placed for future capital expenditure not provided in the financial statements	1,202	701

The contracts placed above are in relation to tangible assets.

22 Ultimate parent company and controlling party

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

Novartis AG is the parent undertaking of the largest and smallest group of which Novartis Pharmaceuticals UK Limited is a member and for which group financial statements are drawn up

Novartis UK Limited, incorporated in Great Britain, is the parent undertaking of the smallest group of which Novartis Pharmaceuticals UK Limited is a member.