

Serono Pharmaceuticals Limited  
Annual report  
for the year ended 31 December 2000

Registered Number 1192915



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for the year ended 31 December 2000  
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# **Serono Pharmaceuticals Limited**

## **Directors and advisors for the year ended 31 December 2000**

### **Directors**

D Dogramatzis

J Theurillat

J-P Verhassel

### **Secretary and registered office**

F Naef

Serono Pharmaceuticals Limited

Bedfont Cross

Stanwell Road

Feltham

Middlesex

TW14 8NX

### **Bankers**

Natwest Bank plc

PO Box 2162

20 Dean Street

London

W1A 1SX

### **Solicitors**

Cameron McKenna

Mitre House

160 Aldersgate Street

London

EC1A 4DD

### **Auditors**

PricewaterhouseCoopers

Abacus House

Castle Park

Cambridge

CB3 0AN

# **Serono Pharmaceuticals Limited**

## **Directors' report for the year ended 31 December 2000**

The directors present their report and the audited financial statements for the year ended 31 December 2000.

### **Principal activities**

The profit and loss account for the year is set out on page 6. The principal activities of the company are the marketing of various ethical pharmaceutical products and services to hospitals and wholesalers.

### **Review of business and future developments**

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

### **Dividends and transfers to reserves**

The directors do not recommend the payment of a dividend. The profit for the year of £556,000 (1999:£244,000 loss) will be transferred to reserves.

### **Creditor payment policy**

The company does not follow a formal code of payment. Payments are made within the terms of payment laid down by the suppliers.

### **Charitable donations**

During the year the company made no donations (1999: £1,594) to charitable causes.

### **Research and development**

The company is committed to sponsoring and carrying out research in connection with the development of its products to maintain and improve its services to medicine.

### **Directors**

The directors of the company who held office during the year were:

Mr J Theurillat	
Mr J-P Verhassel	(appointed 24 November 2000)
Mr D Dogramatzis	(appointed 24 November 2000)
Mr K MacLeod	(resigned 24 November 2000)
Mr E Bertarelli	(resigned 24 November 2000)
Dr A L Scarpa	(resigned 24 November 2000)
Mr H Thierstein	(resigned 24 November 2000)
Mr F R Sandi	(resigned 24 November 2000)

### **Directors' interests in shares of the company**


The company is a group subsidiary of Serono SA, a company registered in Switzerland. According to the register required to be kept under Section 325 of the Companies Act 1985 no directors have any beneficial interest in the shares, debentures or options of any company within the group. As permitted by Statutory Instrument, the directors are not required to notify the company of details of any interests in shares, debentures or options of other companies in the group which are incorporated outside Great Britain.

# Serono Pharmaceuticals Limited

## Auditors

In accordance with Section 386 of the Companies Act 1985, the company has dispensed with the requirement for the annual reappointment of an auditor. Accordingly, PricewaterhouseCoopers will be deemed reappointed as the company's auditors.

By order of the Board

 17/10/01

Director

# Serono Pharmaceuticals Limited

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which 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 1985. 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.

**By order of the board**

 17/10/01  
**Director**

# Serono Pharmaceuticals Limited

## Report of the auditors to the members of Serono Pharmaceuticals

We have audited the financial statements on pages 6 to 16.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Cambridge, 18 October 2001.

# Serono Pharmaceuticals Limited

## Profit and loss account for the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
<b>Turnover</b>	2	<b>25,626</b>	26,246
Cost of sales		(16,161)	(17,516)
<b>Gross profit</b>		<b>9,465</b>	8,730
Other operating expenses	3	(8,752)	(8,342)
<b>Operating profit</b>		<b>713</b>	388
Interest receivable		-	43
Interest payable and similar charges	6	(340)	(263)
<b>Profit on ordinary activities before taxation</b>	7	<b>373</b>	168
Taxation	8	183	(412)
<b>Retained profit / (loss) for the year</b>	17,18	<b>556</b>	(244)

All activities are continuing.

The company has no recognised gains and losses other than those included in the loss above, and therefore no separate statement of total recognised gains and losses has been presented.




# Serono Pharmaceuticals Limited

## Balance sheet as at 31 December 2000

	Note	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Tangible assets	9	761	907
<b>Current assets</b>			
Stocks	10	2,439	4,281
Debtors	11	6,448	9,890
Cash at bank and in hand		644	199
		<b>9,531</b>	<b>14,370</b>
<b>Creditors: amounts falling due within one year</b>	12	<b>9,554</b>	<b>14,888</b>
<b>Net current liabilities</b>		<b>(23)</b>	<b>(518)</b>
<b>Total assets less current liabilities</b>		<b>738</b>	<b>389</b>
<b>Provisions for liabilities and charges</b>	13	<b>(93)</b>	<b>(300)</b>
<b>Net assets</b>		<b>645</b>	<b>89</b>
<b>Capital and reserves</b>			
Called up share capital	16	800	800
Profit and loss account	17	(155)	(711)
<b>Equity shareholders' funds</b>	18	<b>645</b>	<b>89</b>

The financial statements on pages 6 to 16 were approved by the board of directors on  
signed on its behalf by:

and were

 17/10/01  
Director

# Serono Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 December 2000

### 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

#### **Going concern**

The financial statements have been prepared on a going concern basis. The directors have received assurance from the ultimate parent company that they will continue to support the company. They therefore believe that the going concern basis is appropriate.

#### **Cash flow statement and related party disclosures**

The company is a wholly owned subsidiary of Serono BV and is included in the consolidated financial statements of Serono SA, which are publicly available (see note 22). Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of the Financial Reporting Standard 1.

The company is also exempt under the terms of the Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Serono SA group.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
IT equipment	33
Fixtures, fittings and equipment	20-33

Refurbishment of short leasehold property is amortised over the unexpired period of the lease.

#### **Research and development**

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

#### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. Where necessary, provision is made for obsolete, slow moving and defective stocks.

# Serono Pharmaceuticals Limited

## Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of transaction. Assets and liabilities are translated into sterling at the rates of exchange ruling at the relevant balance sheet date or, where appropriate, the forward contract; any exchange differences arising thereon are included in the profit and loss account.

## Turnover

Turnover, which excludes value added tax and is stated after trade discounts, represents the invoiced value of goods and services supplied.

## Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

## Pension costs

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company.

## 2 Turnover

The analysis by geographical segment of the company's turnover, all of which originated in the United Kingdom, is set out below:

	2000	1999
	£'000	£'000
United Kingdom	22,482	23,523
Rest of Europe	3,144	2,723
	<b>25,626</b>	<b>26,246</b>

## 3 Other operating expenses

	2000	1999
	£'000	£'000
Sales and distribution costs	5,810	4,112
Administrative expenses	2,148	2,697
Research and development	794	1,533
	<b>8,752</b>	<b>8,342</b>

# Serono Pharmaceuticals Limited

## 4 Directors' emoluments

	2000	1999
	£'000	£'000
Aggregate emoluments	235	231
Company pension contributions to money purchase schemes	57	55
Compensation for loss of office	137	25

Retirement benefits are accruing to one director under a money purchase pension scheme.

### Highest paid director

	2000	1999
	£'000	£'000
Aggregate emoluments	218	231
Company pension contributions to money purchase schemes	55	55
Compensation for loss of office	137	-

## 5 Employee information

The average monthly number of persons (including executive directors) employed during the year was:

	2000	1999
	Number	Number
Administration	15	17
Distribution	-	3
Selling	41	39
Research and development	11	13
	67	72

	2000	1999
	£'000	£'000
<b>Staff costs (for the above persons):</b>		
Wages and salaries	2,889	3,002
Social security costs	309	293
Other pension costs (see note 15)	181	189
	3,379	3,484

# Serono Pharmaceuticals Limited

## 6 Interest payable and similar charges

	2000	1999
	£'000	£'000
On bank loans and overdrafts	340	263

## 7 Profit on ordinary activities before taxation

	2000	1999
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year	244	182
Auditors' remuneration:		
- Audit	45	22
- Other	57	30
Operating lease charges:		
- Hire of plant and machinery	344	235
- Other operating leases	749	153
Loss on foreign exchange transactions	69	95
Loss on disposal	-	19

## 8 Taxation

	2000	1999
	£'000	£'000
United Kingdom corporation tax at 30% (1999: 30.25%)		
Current year	100	-
(Over) / Under provision in respect of prior years	(283)	412
	(183)	412

## Serono Pharmaceuticals Limited

At 31 December 2000 the company was able to recognise the benefit of the corporation tax recoverable as a result of its claim for tax losses from another group company. This is shown as a prior year overprovision.

In the previous accounting period, the prior year underprovision included the payment due to the fellow group company in respect of those losses.

### 9 Tangible fixed assets

	Short leasehold improvements	Fixtures, fittings & equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 January 2000	361	1,079	1,440
Additions	13	85	98
<b>At 31 December 2000</b>	<b>374</b>	<b>1,164</b>	<b>1,538</b>
<b>Depreciation</b>			
At 1 January 2000	109	424	533
Charge for year	24	220	244
<b>At 31 December 2000</b>	<b>133</b>	<b>644</b>	<b>777</b>
<b>Net book value</b>			
<b>At 31 December 2000</b>	<b>241</b>	<b>520</b>	<b>761</b>
At 31 December 1999	252	655	907

### 10 Stocks

	2000	1999
	£'000	£'000
Finished goods and goods for resale	2,439	4,281

# Serono Pharmaceuticals Limited

## 11 Debtors

	2000	1999
	£'000	£'000
<b>Amounts falling due within one year</b>		
Trade debtors	4,400	7,603
Amounts owed by parent and fellow subsidiary undertakings	1,294	1,637
Other debtors	27	-
Corporation tax	374	173
Prepayments and accrued income	353	477
	<b>6,448</b>	<b>9,890</b>

## 12 Creditors: amounts falling due within one year

	2000	1999
	£'000	£'000
Bank loan	2,500	4,000
Bank overdrafts	-	2,584
Trade creditors	974	781
Amounts owed to parent and fellow subsidiary undertakings	3,896	5,134
Group relief payable	380	487
Taxation and social security	658	158
Accruals and deferred income	1,146	1,744
	<b>9,554</b>	<b>14,888</b>

# Serono Pharmaceuticals Limited

## 13 Provisions for liabilities and charges

	Onerous lease	Lease dilapidations	Total
	£'000	£'000	£'000
At 1 January 2000	-	300	300
Charged/(credited) to profit and loss account	93	(300)	(207)
<b>At 31 December 2000</b>	<b>93</b>	<b>-</b>	<b>93</b>

### Onerous lease

Provisions have been made for onerous lease costs on sublet property.

### Lease Dilapidations

Provision was made for the exit costs of the Welwyn Garden City site in 1999 which was fully utilised in 2000.

## 14 Deferred taxation

The unprovided deferred tax asset and the amount which has been recognised on the balance sheet are as follows:

	Amounts recognised		Amounts not recognised	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Excess of depreciation over capital allowances	-	-	50	55
Short-term timing differences	-	-	33	42
	-	-	83	97

## 15 Pension and similar obligations

The company makes contributions to defined contribution pension schemes on behalf of its employees. The pension cost charge for the year amounted to £181,000 (1999: £189,000). An amount of £49,500 (1999: £117,400) is included in accruals.



# Serono Pharmaceuticals Limited

## 16 Called up share capital

	2000	1999
	£'000	£'000
<b>Authorised</b>		
800,000 ordinary shares of £1 each	800	800
<b>Allotted, called up and fully paid</b>		
800,000 ordinary shares of £1 each	800	800

## 17 Reserves

	Profit and loss account
	£'000
At 1 January 2000	(711)
Profit for the year	556
<b>At 31 December 2000</b>	<b>(155)</b>

## 18 Reconciliation of movements in shareholders' funds

	2000	1999
	£'000	£'000
Opening shareholders' funds	89	333
Profit / (loss) for the financial year	556	(244)
<b>Closing shareholders' funds</b>	<b>645</b>	<b>89</b>

# Serono Pharmaceuticals Limited

## 19 Contingent liabilities

At 31 December 2000 the company had indemnity liabilities of £1,200,000 in respect of Value Added Tax deferred (1999: £1,200,000).

## 20 Financial commitments

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	2000		1999	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	142	-	4
Expiring between two and five years inclusive	88	197	-	115
Expiring in over five years	661	-	151	-
	<b>749</b>	<b>339</b>	<b>151</b>	<b>119</b>

## 21 Related party transactions

As a wholly owned subsidiary whose results are included in the consolidated financial statements of Serono SA, the company is exempt from the requirement to disclose details of transactions with other group companies. There were no transactions with any other related parties.

## 22 Ultimate and immediate parent undertaking

The directors regard Serono SA, a company registered in Switzerland, as the ultimate parent company. At 31 December 2000, Bertarelli & Cie, a partnership limited by shares with its principal offices at Chésereux (Vaud), Switzerland, held 51.67% of the capital and 60.93% of the voting rights in Serono SA. Ernesto Bertarelli controls Bertarelli & Cie.

On the same date, Maria-Iris Bertarelli, Ernesto Bertarelli and Donata Bertarelli Späth owned in the aggregate 7.03% of the capital and 9.81% of the voting rights of Serono SA. Copies of the ultimate parent's consolidated financial statements may be obtained from Serono SA, Chemin des Mines 15 bis, CH-1202, Geneva, Switzerland.

The directors regard Ares Serono BV, a company registered in The Netherlands, as the immediate parent company. According to the register kept by the company, Ares Serono BV owns 100% of the equity capital of Serono Laboratories (UK) Limited at 31 December 2000.