

# **Novo Nordisk Limited**

*(Registered number: 1118740)*

## **Annual report and financial statements**

**For the year ended 31 December 2016**



# **Novo Nordisk Limited**

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# **Novo Nordisk Limited**

## **Directors and other information**

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**Directors**

O F Ramsby  
J Gruhn (resigned 17/11/2016)  
N Bailey  
D Jordan

**Company secretary**

M O'Flynn

**Registered office**

3 City Place  
Beehive Ring Road  
Gatwick  
West Sussex  
RH6 0PA

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
The Portland Building  
25 High Street  
Crawley  
West Sussex  
RH10 1BG

**Solicitors**

Baker & McKenzie  
100 New Bridge Street  
London  
EC4V 6IA

**Bankers**

Deutsche Bank AG  
6 Bishopsgate  
London  
EC2N 4DA

**Ultimate parent company**

Novo Nordisk A/S  
Novo Alle  
DK-2880 Bagsvaerd  
Denmark

The directors present their strategic report for the year ended 31 December 2016.

### Business Review & Development

Novo Nordisk Limited is a focused healthcare company specialising in therapeutic proteins, providing life-saving treatments for people with diabetes and rare bleeding disorders. In addition, the company offers treatment for growth hormone deficiency, treatment of weight management and low-dose hormone replacement therapy products.

Novo Nordisk has entered into a long-term collaboration with the University of Oxford and during 2017 has begun investment in a new research centre that will focus on early type 2 diabetes research. The Novo Nordisk Research Centre Oxford will focus on innovation within early stage research that has the potential to substantially impact future treatment of type 2 diabetes and its complications.

Novo Nordisk Limited continued to deliver on its commitment to improve the lives of people with diabetes and other chronic diseases during 2016. The directors are satisfied with the company's performance during the year and with its prospects for the future.

### Financial position at year end

The retained earnings as at 31 December 2016 totals £14,281k (2015: £10,753k). The increase is coming from profit for the financial year of £6,028k (2015: £7,864k) less dividends of £2,500k.

### Key performance indicators (KPIs)

The company measures its performance by reference to profitability and market share. Operating profit is set out in the statement of comprehensive income on page 7 and reported is an operating profit of £8,143k (2015: £10,164k) for the year ended 31 December 2016. The decrease in operating profit is due to a reduction in gross profit caused by a reduction in marketing service income as well as an increase to administrative expenses.

Novo Nordisk Limited total ex-factory sales increased by +5.0% in 2016 versus 2015. This was mostly due to the depreciation of the GBP in relation to the EUR, which occurred suddenly after the Brexit vote in June 2016, making imports from other European countries less favourable, therefore resulting in an increase of UK ex-factory sales. In addition, there was a reduction in the rebate payable on all branded medicines to the Department of Health as part of the 2014 Pharmaceutical Price regulation Scheme (PPRS). In 2016 the rebate was reduced to the lower rate of 7.8% from the 2015 rebate of 10.36%.

Novo Nordisk total insulin volume market share decreased 0.6%p to 52.7% in 2016 driven by the increased use in competitor human insulins. Novo Nordisk modern insulin and new generation insulin (MI&NGI) market share of the total MI&NGI market remained relatively stable at 61.0%. The basal insulin segment market share continued to increase due to the solid uptake of Tresiba® and continued growth of Xultophy® following its launch during 2015.


### Principal risks and uncertainties

The principal risks to the company are sales competition and the impact from healthcare reforms. Both of which are considered to be manageable and do not present a significant threat to the core operations.

Novo Nordisk Limited has developed a dynamic approach to risk management to ensure that key risks are proactively identified, assessed and managed. Our policy for risk management is to proactively manage risk to ensure continued growth of our business and to protect our people, assets and reputation. This means we will: a) utilise an effective and integrated risk management system while maintaining business flexibility; b) identify and assess material risks associated with our business; and c) monitor, manage and mitigate risks.

Alongside the overall structure for risk management, a simple risk reporting process has been developed to ensure that key risks are identified, assessed and reported to the Corporate Risk Management Board, and from here to Executive Management and the Board of Directors. As a sales and marketing affiliate, Novo Nordisk Limited, mitigates risk using the corporate risk framework.

On Behalf of the board



D Jordan  
Director  
27 July 2017

The directors present their report and audited financial statements for the year ended 31 December 2016.

### Future Development

The company aims to grow its business in ways that are both responsible and sustainable, managing in accordance with the Novo Nordisk Way and the Triple Bottom Line principle, further information on this is available within the Novo Nordisk Group Financial Statements (note 20).

The company has entered into a long-term collaboration with the University of Oxford and during 2017 has begun investment in a new research centre that will focus on early type 2 diabetes research. The Novo Nordisk Research Centre Oxford will focus on innovation within early stage research that has the potential to substantially impact future treatment of type 2 diabetes and its complications.

### Results and dividends

The company's profit for the financial year amounted to £6,028k (2015: £7,864k). On the 23 May 2017 the board of directors proposed and paid a final dividend for the year ended 31 December 2016 of 148.936 (2015: 106.383) pence per £1 ordinary share amounting to £3,500k (2015: £2,500k). A dividend totalling £2,500k (106.383 pence) (2015: £7,000k (297.872 pence)) was paid during the year in respect of the year ended 31 December 2015.

### Financial risk management

The ultimate parent undertaking, Novo Nordisk A/S, has centralised the management of the group's financial risks. The overall objectives and policies for the company's financial risk management are outlined in the group treasury policy, which is approved by the group board of directors. The treasury policy consists of the foreign exchange policy, the investment policy, the financing policy and the policy regarding credit risk on financial counterparts, and includes a description of allowed financial instruments and risk limits.

#### Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made as well as ongoing monitoring.

#### Liquidity risk

Novo Nordisk Limited, via centralised Group banking, ensures availability of required liquidity through a combination of cash management, highly liquid investment portfolios, and uncommitted as well as committed facilities.

#### Foreign currency risk

Foreign currency risk for Novo Nordisk Limited is considered negligible as almost all transactions are in sterling (GBP).

#### Interest rate risk

Sensitivity analysis has shown that changes in the interest rates have a limited effect on Novo Nordisk Limited due to the nature of the funds held by the company.

### Research and developments

Due to the long development period and significant uncertainties relating to the development of new products, including risks regarding clinical trials and regulatory approval, it is concluded that the company's internal development costs in general do not meet the capitalisation criteria in IAS38 'Intangible Assets'. Consequently, the technical feasibility criteria of IAS38 are not considered fulfilled before regulatory approval is obtained. Therefore all internal research and development costs are expensed in the income statement as incurred.

### Donations to charity

The company made charitable donations of £266k during the year (2015: £302k), of which further details regarding £250k (2015: £250k) is included in note 17 to the financial statements. The balance of the donations made in the year relate to further diabetes education. There were no donations to political parties during the year to 31 December 2016 (2015: £nil).

## Directors' report for the year ended 31 December 2016 - continued

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### Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Novo Nordisk Limited aims to encourage employees to be involved in the company performance and in 2016 introduced an employee share scheme to help promote this, which continues to be available. Communication with all employees continues through the in-house newsletters, briefing groups, intranet and the availability of the annual report.

### Directors

The directors who held office during the year and up to the date of signing the financial statements are as follows:

O F Ramsby  
J Gruhn (resigned 17/11/2016)  
N Bailey  
D Jordan

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

### Statement as to disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

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

On behalf of the board



D Jordan  
Director  
27 July 2017

## **Independent auditors' report to the members of Novo Nordisk Limited**

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### **Report on the financial statements**

#### **Our opinion**

In our opinion, Novo Nordisk Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinions 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.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### **Responsibilities for the financial statements and the audit**

##### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on page 4, 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) ("ISAs (UK & 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.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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



**Peter Latham (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors Gatwick  
27 July 2017



# Novo Nordisk Limited

## Statement of Comprehensive Income for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover	3	292,710	289,523
Cost of sales		<u>(231,995)</u>	<u>(227,695)</u>
Gross profit		60,715	61,828
Administrative expenses		<u>(52,572)</u>	<u>(51,664)</u>
<b>Operating Profit</b>	<b>4</b>	<b>8,143</b>	<b>10,164</b>
Interest receivable and similar income	6	42	67
Interest payable and similar expenses	6	<u>(2)</u>	<u>(2)</u>
<b>Profit before taxation</b>		<b>8,183</b>	<b>10,229</b>
Tax on profit	9	<u>(2,155)</u>	<u>(2,365)</u>
<b>Profit for the financial year</b>		<b>6,028</b>	<b>7,864</b>
<b>Total Comprehensive income for the year</b>		<b>6,028</b>	<b>7,864</b>

The above results relate entirely to continuing activities.

The notes on pages 10 to 20 form part of these financial statements.

# Novo Nordisk Limited

## Statement of Financial Position as at 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Fixed Assets</b>			
Tangible assets	10	684	781
<b>Current Assets</b>			
Deferred tax assets	9	277	552
Debtors	11	90,652	86,087
		<u>90,929</u>	<u>86,639</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(73,602)</u>	<u>(73,214)</u>
<b>Net Current Assets</b>		<u>17,327</u>	<u>13,425</u>
<b>Total Assets less Current Liabilities</b>		<u>18,011</u>	<u>14,206</u>
<b>Provision for Liabilities</b>	13	(1,016)	(1,047)
<b>Net Assets</b>		<u>16,995</u>	<u>13,159</u>
<b>Capital and Reserves</b>			
Called up share capital	14	2,350	2,350
Share option reserve	18	364	56
Retained earnings		14,281	10,753
<b>Total Shareholders' Funds</b>		<u>16,995</u>	<u>13,159</u>

The financial statements on pages 7 to 20 were approved by the board of directors on 27 July 2017 and signed on its behalf by:



**N Bailey**  
Director  
Novo Nordisk limited  
Registered number: 1118740

The notes on pages 10 to 20 form part of these financial statements.

# Novo Nordisk Limited

## Statement of Changes in Equity for the year ended 31 December 2016

	Called Up Share Capital	Share Option Reserve	Retained Earnings	Total Shareholders' Funds
	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2015</b>	<b>2,350</b>	<b>(102)</b>	<b>9,889</b>	<b>12,137</b>
Profit for the financial year	-	-	7,864	7,864
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>7,864</b>	<b>7,864</b>
Share based payments charge (Note 7)	-	414	-	414
Recharge from parent on share based payment	-	(341)	-	(341)
Deferred tax recognised directly in equity on equity-settled share-based payments (note 9)	-	85	-	85
Dividends paid	-	-	(7,000)	(7,000)
<b>Balance at 31 December 2015</b>	<b>2,350</b>	<b>56</b>	<b>10,753</b>	<b>13,159</b>
Profit for the financial year	-	-	6,028	6,028
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>6,028</b>	<b>6,028</b>
Share based payments charge (Note 7)	-	1,748	-	1,748
Recharge from parent on share based payment	-	(1,288)	-	(1,288)
Deferred tax recognised directly in equity on equity-settled share-based payments (note 9)	-	(152)	-	(152)
Dividends paid	-	-	(2,500)	(2,500)
<b>Balance at 31 December 2016</b>	<b>2,350</b>	<b>364</b>	<b>14,281</b>	<b>16,995</b>

### 1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### Basis of preparation

The Financial Statements of Novo Nordisk Limited have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of judgements, 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements 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 (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows)
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information)
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

#### Turnover

All turnover arises from the company's principal activities based in the United Kingdom.

Pharmaceuticals revenues principally represent the invoiced value, net of value added tax and rebates, of pharmaceutical products, supplied in Great Britain under the distribution agreement with Novo Nordisk A/S. Turnover is recognised at point of delivery.

Marketing services revenues represent the amounts receivable in respect of marketing services carried out for Novo Nordisk A/S, a Danish company, for a consideration of costs incurred plus a percentage mark up. Turnover is recognised as the service is provided.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation charged is provided by the company to write off the cost less the estimated residual value of the following tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

	Rate	Basis
Plant and office equipment	10% - 20%	Straight line

### 1 Accounting policies (continued)

#### Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise 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 income 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 income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income 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 income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

#### Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses are taken to the profit and loss account in the year in which they arise.

#### Share based payments

The group operates equity-settled, share-based compensation plans. The fair value of the employee services received, in exchange for the grant of the shares, is recognised as an expense and allocated over the vesting period.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares granted, excluding the impact of any non-market vesting conditions. The fair value is fixed at grant date. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. At the end of each reporting period, Novo Nordisk revises its estimates of the number of shares expected to vest. Novo Nordisk Limited recognises the impact of the revision of the original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period. Adjustments relating to prior years are included in the income statement in the year of adjustment. Any recharges made by the parent company in respect of share based payments are debited directly to equity to the extent of fair value at grant date and the excess of the recharges, if any, is recognised as expense in the income statement in the year of recharges.

#### Dividends

Dividends on equity shares are recognised in the financial statements when they have been appropriately approved or authorised by the shareholders and are no longer at the discretion of the company. Interim dividends declared by the directors are recognised when paid.

#### Pensions

Pension contributions to defined contribution pension arrangements are charged to the profit and loss account in the year in respect of which they are payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### Research and development costs

Expenditure on research and development from costs not meeting the recognition criteria of IAS38 is written off as incurred.

#### Employee obligations

The company makes a provision for employee long term service awards. The first award is payable after 5 years of service and every 5 years thereafter. The costs relating to this provision are expensed to the profit and loss account over the estimated length of the employee service contract.

#### Cash at bank and in hand

Cash at bank and in hand include cash in hand, deposits held at call with banks.

### 2 Critical accounting estimates and judgements

The company makes judgements and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below.

#### Share based payment

The accounting for equity settled share based compensation plan requires estimation about the number of options that are expected to become exercisable. At each balance sheet date the company revises its estimates of the number of options that are expected to become exercisable. The company recognises the impact of the revision of the original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

#### Dilapidations provision

Provision is made for dilapidation in relation to the office premise of the company. This provision requires management's best estimate of the costs that will be incurred based on legislative and contractual requirements. The current provision amount for dilapidation is £600,000 (2015: £600,000) and is disclosed in Note 13.

### 3 Turnover

All turnover arises from the company's principal activities based in the United Kingdom.

	2016 £'000	2015 £'000
Pharmaceuticals	277,603	263,848
Marketing services	15,107	25,675
	<u>292,710</u>	<u>289,523</u>

### 4 Expenses by nature

The profit before taxation is stated after charging:

	2016 £'000	2015 £'000
Staff costs (note 7)	30,466	26,859
Research and development expenditure	5,302	5,761
Depreciation on tangible assets	97	98
Operating lease rentals: hire of plant and machinery	1,836	1,896
Operating lease rentals: other	1,053	1,033

### 5 Auditors' remuneration

	2016 £'000	2015 £'000
Fees for the audit of the company	34	39
Fees payable for other services - other assurance services	15	18

### 6 Interest receivable and similar income

	2016 £'000	2015 £'000
Interest receivable from group undertaking	42	67

Interest receivable from group undertaking is in relation to centralised banking facilities.

### Interest payable and similar expenses

	2016 £'000	2015 £'000
Other interest payable	2	2

### 7 Staff costs

The aggregate payroll costs, including executive directors were as follows:

	2016 £'000	2015 £'000
Wages and salaries	23,818	22,054
Social security costs	2,922	2,518
Other pension costs	1,978	1,873
Share options	1,748	414
	30,466	26,859

#### Pensions

The company has a defined contribution pension scheme whose assets are held in a separate trustee administered fund covering the majority of employees (including directors).

The company's funding policy is to make contributions to the scheme for the benefit of individual members at rates in accordance with the scheme's rules.

At 31 December 2016 an amount of £235,257 (2015: £226,951) was due to be paid over into the defined contribution pension scheme, being the December contribution.

#### Staff numbers

The average monthly number of persons employed by the company, analysed by category, was as follows:

	2016 Number	2015 Number
By activity:		
Research and development	64	66
Administration and marketing	304	306
	368	372

### 7 Staff costs (continued)

#### Directors' emoluments

Directors' emoluments, including pension contributions, were as follows

	2016 £'000	2015 £'000
Aggregate emoluments	905	734
Pension contributions	13	13
	<u>918</u>	<u>747</u>

Under the company's defined contribution pension scheme, pension contributions of £13k (2015: £13k) were payable during the year. One of the four statutory directors are included in the company's defined contribution pension scheme.

During the year, no Directors (2015: no) exercised share options in the ultimate parent company Novo Nordisk A/S. An amount of £107,988 (2015: £52,199) was accrued during the year for the directors under the long term share based incentive scheme.

For the highest paid Director the aggregate emoluments were £717,613 (2015: £557,465), and the total contribution into the company's defined contribution pension scheme was £nil (2015: £nil) for the year.

### 8 Dividends

	2016 £'000	2015 £'000
Final paid	<u>2,500</u>	<u>7,000</u>

The dividend paid and accounted for in 2016 relates to the final dividend for the year ended 31 December 2015 and represents a payment of 106.383 pence per share (total £2,500k) (2015: £7,000k (297.872 pence)).

On the 23 May 2017 the board of directors proposed and paid a final dividend for the year ended 31 December 2016 of 148.936 pence (2015: 106.383) pence per £1 ordinary share amounting to £3,500k (2015: £2,500k). This dividend has not been accounted for within the current year financial statements as it was approved after the year end.

### Tax on profit

#### Analysis of charge in year

	2016 £'000	2015 £'000
<b>Current tax</b>		
UK Corporation tax on profit for the financial year	2,011	2,442
Adjustments in respect of prior years	<u>22</u>	<u>(108)</u>
Total current tax	<u>2,033</u>	<u>2,334</u>
<b>Deferred tax</b>		
Accelerated capital allowances and other timing differences	28	29
Impact of change in tax laws and rates	12	17
On equity-settled share-based payments	<u>82</u>	<u>(14)</u>
Total deferred tax	<u>122</u>	<u>31</u>
Tax on profit	<u>2,155</u>	<u>2,365</u>



### 9 Tax on profit on ordinary activities (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher (2015: higher) than the blended standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
<b>Profit before taxation</b>	<b>8,183</b>	<b>10,229</b>
Profit on ordinary activities multiplied by blended standard rate of corporation tax in the UK of 20.0% (2015: 20.25%)	<b>1,637</b>	<b>2,071</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>533</b>	<b>465</b>
Accelerated capital allowances	<b>(48)</b>	<b>(80)</b>
Change in tax laws and rate	<b>12</b>	<b>17</b>
Adjustment in respect of prior years	<b>22</b>	<b>(108)</b>
<b>Total tax charge</b>	<b>2,155</b>	<b>2,365</b>

#### Deferred tax asset

	2016 £'000	2015 £'000
At the beginning of the year	<b>552</b>	<b>498</b>
(Charged) to the Income statement	<b>(123)</b>	<b>(31)</b>
(Debited) / Credited directly to equity	<b>(152)</b>	<b>85</b>
At the end of the year	<b>277</b>	<b>552</b>

#### Analysis of the deferred tax asset

	2016 £'000	2015 £'000
Short term timing differences	<b>217</b>	<b>258</b>
On equity-settled share-based payments	<b>60</b>	<b>294</b>
<b>Total provision</b>	<b>277</b>	<b>552</b>

#### Factors affecting future tax charges

Further reductions to the main rate are proposed to reduce the rate by 1% for financial years starting on 1 April 2017, then by an additional further 2% for financial years starting on 1 April 2020. UK deferred tax assets have been individually valued at the tax rate, based on legislation enacted as at the year end, for the year in which the asset/ shares will be realised/ vest.

### 10 Tangible assets

	Plant and office equipment £'000
<b>Cost</b>	
At 1 January 2015	1,010
Additions	-
Disposals	-
At 31 December 2015	1,010
Additions	-
Disposals	-
<b>At 31 December 2016</b>	<b>1,010</b>
<b>Accumulated depreciation</b>	
At 1 January 2015	131
Charge for the year	98
Disposals	-
At 31 December 2015	229
Charge for the year	97
<b>At 31 December 2016</b>	<b>326</b>
<b>Net book value</b>	
<b>At 31 December 2016</b>	<b>684</b>
At 31 December 2015	781

### 11 Debtors

	2016 £'000	2015 £'000
Trade debtors	71,973	68,756
Amounts owed by group undertakings	17,489	16,753
Other debtors	987	491
Prepayments and accrued income	203	87
	<b>90,652</b>	<b>86,087</b>

All debtors are receivable within one year. Amounts owed by group undertakings are unsecured and repayable on demand. All amounts owed by group undertakings due to trading activities are free of interest charges. Amounts owed by group undertakings in relation to centralised banking accrue interest based on LIBOR.

### 12 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	2,518	2,181
Amounts owed to group undertakings	53,004	51,968
Corporation tax	214	1,015
Other taxation and social security	1,189	1,218
VAT payable	2,209	2,028
Other creditors	8,425	9,155
Employee obligations	104	112
Accruals and deferred income	5,939	5,537
	<u>73,602</u>	<u>73,214</u>

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

### Provisions for liabilities

	Employee obligations £'000	Dilapidation provision £'000	Total £'000
Balance at the start of the year 2016	447	600	1,047
Release of provision	(31)	-	(31)
<b>Balance at end of the year 2016</b>	<u>416</u>	<u>600</u>	<u>1,016</u>

#### Employee obligations

The company makes a provision for employee long term service awards. The first award is payable after 5 years of service and every 5 years thereafter.

### 14 Called up share capital

	2016 £'000	2015 £'000
<b>Authorised</b>		
5,000,000 (2015: 5,000,000) Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
<b>Allotted and fully paid</b>		
2,350,000 (2015: 2,350,000) Ordinary shares of £1 each	<u>2,350</u>	<u>2,350</u>

### 15 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Called up share capital	Nominal value of share capital subscribed for.
Share option reserve	Shares granted to employees and directors. Share options granted are expensed to the income statement over the vesting period with the corresponding amount being credited to the share option reserve. Any recharges made by the parent company in respect of options are debited directly to the share option reserve.
Retained earnings	All other net gains and losses and transactions with owners (eg: dividends) not recognised elsewhere.

### 16 Lease commitments

At 31 December the company had total commitments under non cancellable operating leases as follows:

	2016 £'000	2015 £'000
Land and buildings operating leases which expire:		
Within 1 year	1,042	1,042
Within 2 to 5 years	4,168	4,168
Within 6 to 10 years	2,257	3,299
	<u>7,467</u>	<u>8,509</u>
Other operating leases which expire:		
Within 1 year	1,113	1,203
Within 2 to 5 years	762	1,088
	<u>1,875</u>	<u>2,291</u>

### Related party transactions

The company paid £250k (2015: £250k) to The Novo Nordisk UK Research Foundation, which is a registered charity. This represents funding for research fellowships and other grants and educational funding to healthcare professionals, as directed by the trustees of the charity. Novo Nordisk Limited is the sole benefactor of the charity.

There were no balances outstanding with The Novo Nordisk UK Research Foundation at the balance sheet date (2015: £nil).

### 18 Share based payment schemes

#### Employee Shares

In January 2013 a restricted share offer was made to all employees following the 90th Anniversary of Novo Nordisk A/S. To be eligible for the offer employees must be in employment with the company on 31 January 2013 and 1 April 2016. No provision (2015: £431,042) is included in the financial statements to reflect the cost of the offer based on the share price at offer date and the expected number of employees to be entitled at the end of the vesting period as the scheme was completed during the year.

In February 2016 a restricted stock unit plan was offered to all employees to celebrate net sales of more than DKK 100 billion. To be eligible for the offer employees must be in employment with the company on 1 January 2016 and 1 Feb 2019. A provision of £194,093 (2015:£Nil) is included in the financial statements to reflect the cost of the offer based on the share price at offer date and the expected number of employees to be entitled at the end of the vesting period.

#### Long term share based incentive programme

The long term, share based incentive programme, is designed to promote the collective performance of Executive Management and align the interest of executives and shareholders. Share based incentives are linked to both financial and non-financial targets.

At the beginning of each year, the Board of the ultimate parent undertaking Novo Nordisk A/S, decides whether to establish a long term incentive programme for that year. The programme is based on a calculation of shareholder value creation compared with planned performance. A proportion of the calculated shareholder value creation is allocated to a joint pool for participants which include Executive Management.

Joint pool shares for a given year are locked for three years before they are transferred to participants. If a participant resigns during the locked period, his or her shares will remain in the joint pool for the benefit of the other participants. In the locked period, the Board may remove shares from the joint pool in the event of lower than planned value creation in subsequent years. In the locked period the value of the joint pool will change depending on the development in the share price, aligning the interest of participants with those of shareholders.

The Board of Directors of Novo Nordisk A/S on the 2 February 2017 approved the establishment of a joint pool for the members of the Management group, for the financial year 2016 by allocating a total of 2,380 Novo Nordisk B shares, corresponding to a value at launch of the programme of £62,022. The cost of this allocation will be amortised over the period 2016-2019.

The shares from the 2013 allocation to the joint pool were released to the individual participants on 31 January 2017 following the approval of consolidated financial statements of the ultimate parent undertaking, Novo Nordisk A/S, by its Board of Directors.

For 2014 the allocation to the joint pool was £54,277, corresponding to 3,250 shares. The cost of this allocation will be amortised over the period 2015-2018.

For 2015 the allocation to the joint pool was £41,404, corresponding to 4,120 shares. The cost of this allocation will be amortised over the period 2016-2019.

A charge of £165,447 (2015: £260,478) is included in the financial statements to reflect the amortisation of the cost of the allocations.

The total number of shares in the joint pools relating to the years 2014, 2015 and 2016 are as follows:

Year allocate to pool	Number of shares	Vesting
2014	3,250	2018
2015	4,120	2019
2016	2,380	2020
<b>Total</b>	<b>9,750</b>	

### 19 Events after the reporting date

A final dividend for the year ended 31 December 2016 of 148.936 pence (2015: 106.383) pence per £1 ordinary share amounting to £3,500k (2015: £2,500k) has been proposed and paid. This dividend has not been accounted for within the current year financial statements as it was approved after the year end.

Novo Nordisk has entered into a long-term collaboration with the University of Oxford and during 2017 has begun investment in a new research centre that will focus on early type 2 diabetes research. The Novo Nordisk Research Centre Oxford will focus on innovation within early stage research that has the potential to substantially impact future treatment of type 2 diabetes and its complications.

### 20 Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Novo Nordisk Holding Limited, registered in England and Wales.

The ultimate parent undertaking and controlling party is Novo Nordisk A/S, a company incorporated in Denmark.

Novo Nordisk A/S is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2016. The consolidated financial statements of Novo Nordisk A/S are available from Novo Nordisk A/S, Novo Alle, DK 2880 Bagsvaerd, Denmark.