

Vertex Pharmaceuticals (UK) Limited

Report and Financial Statements

31 December 2018

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Company information

Directors

Ashley Grist
Klas Holmlund
S K Lem

Secretary

Mitre Secretaries
Cannon Place
78 Cannon Street
London EC4N 6AF

Auditors

Ernst & Young LLP
Apex Plaza
Reading
Berkshire RG1 1YE

Bankers

Citigroup N.A.
Citigroup Centre 33
Canada Square
Canary Wharf
London E14 5LB

Solicitors

CMS Cameron McKenna
Mitre House
160 Aldersgate Street
London EC1A 4DD

Registered Office

Level 9
Paddington Central
2 Kingdom Street
London W2 6BD

Strategic report

The Directors present their strategic report for the year ended 31 December 2018.

Principal activities and review of the business

Vertex Pharmaceuticals (UK) Limited (the “Company”) was incorporated on 23 May 2011.

The Company was established to act as the sole distributor of KALYDECO in the UK. KALYDECO is a small molecule currently approved to treat a specific Cystic Fibrosis genetic mutation (G551D).

On 30 November 2014, the Company transferred all of its business, assets and liabilities to Vertex Pharmaceuticals (Europe) Limited in exchange for an intercompany promissory note.

In August 2015 the Wholesale Distribution License was fully transferred to Vertex Pharmaceuticals (Europe) Limited from the Company. From 2015, the Company was a non-operating entity. In 2016, the Company made an investment in a Brazilian entity which became a direct subsidiary of the Company. From this point, the principal activity of the Company was to hold this investment.

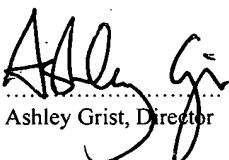
The results for the year are set out from page 9. The results of the Company’s key financial and other performance indicators during the year were as follows:

Principal risks and uncertainties

Financial risks

The Company has been designated as a non-trading company at the balance sheet date 31 December 2018. Therefore, the Directors do not consider there to be any significant areas of risk and uncertainty which could impact the non-trading position of the business with exception of exchange rate risk on the intercompany balances. The Company’s exposure to exchange rate risk is monitored by the ultimate parent company’s treasury function.

On behalf of the Board


.....
Ashley Grist, Director

7/5/19
.....
Date

Registered No. 07643914

Directors' report

The Directors present their report for the year ended 31 December 2018.

Directors

The Directors who served the Company during the year and to date were as follows:

Ashley Grist (Appointed on 19 April 2019)

Klas Holmlund (Appointed on 19 April 2019)

S K Lem (Appointed on 29 June 2012)

S D Bedson (Resigned on 15 October 2018)

I F Smith (Resigned on 23 January 2019)

Michele Bellandi (Appointed on 15 October 2018 and Resigned on 19 April 2019)

Results and dividends

The profit for the year after taxation amounted to £2,335,000 (2017 - loss £1,873,000). The Directors do not recommend a dividend (2017 – £nil).

Future developments

The Company expects to continue to be non-trading for the foreseeable future.

Going concern

The Directors have considered the financial situation of the Company at 31 December 2018, comprising net assets of £33,712,000. All net assets, other than cash of £325,000 are receivable from the Vertex Group (Vertex Pharmaceuticals Incorporated and subsidiary companies) and therefore the Company is reliant on settlement to fund future financial obligations.

The Company has no employees and minimal future financial obligations. From August 2015 the Company was designated as a non-trading company. Vertex Pharmaceuticals Incorporated, the Company's ultimate parent undertaking, has indicated its intention to provide such on-going financial support as is necessary for the Company to continue in operation and to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

Accordingly, the Directors continue to adopt a going concern basis in preparing the financial statements.

Directors' liabilities

The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

Foreign branches

The Company operates a foreign branch in Israel.

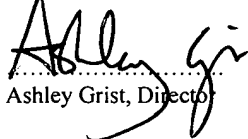
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board.


Ashley Grist, Director

7/5/19
Date

Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 judgments and 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; 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Vertex Pharmaceuticals (UK) Limited

Opinion

We have audited the financial statements of Vertex Pharmaceuticals (UK) Limited for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent auditor's report to the members of Vertex Pharmaceuticals (UK) Limited (continued)

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report to the members of Vertex Pharmaceuticals (UK) Limited (continued)

Use of our report

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

Ernst & Young Ltd

Kevin Harkin (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

10 May 2019

Statement of comprehensive income

For the year ended 31 December 2018

| | Notes | 2018 £'000 | 2017 £'000 |
|--|-------|---------------|---------------|
| Administrative expenses | | - | (10) |
| Operating loss | 5 | - | (10) |
| Interest receivable | 7 | 757 | 623 |
| Interest payable | 8 | (278) | (78) |
| Net foreign exchange gain/(loss) | | 1,856 | (2,408) |
| Profit/(loss) on ordinary activities before taxation | | 2,335 | (1,873) |
| Tax on profit/(loss) on ordinary activities | 9 | - | - |
| Total comprehensive income/(expense) for the financial year | | 2,335 | (1,873) |

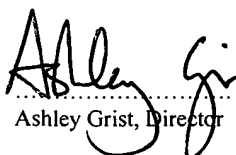
Balance sheet

As at 31 December 2018

| | Notes | 2018 £'000 | 2017 £'000 |
|--|-------|---------------|---------------|
| Fixed Assets | | | |
| Investment in subsidiaries | 10 | 3,400 | 3,400 |
| Current assets | | | |
| Cash and cash equivalents | | 325 | 326 |
| Debtors - amounts falling due within one year | 11 | 15,349 | 77 |
| - amounts falling due after more than one year | 11 | 32,362 | 40,701 |
| | | 48,036 | 41,104 |
| Creditors - amounts falling due within one year | 12 | (17,724) | (13,127) |
| Net current assets | | 30,312 | 27,977 |
| Net assets | | 33,712 | 31,377 |
| Equity | | | |
| Called up share capital | 13 | - | - |
| Profit and loss account | | 33,712 | 31,377 |
| Shareholders' funds | | 33,712 | 31,377 |

The notes on pages 12 to 20 are an integral part of these financial statements.

The financial statements on pages 9 to 20 were approved for issue by the Board of Directors on 7 May 2019 and signed on their behalf by:


 Ashley Grist, Director

7/5/19
 Date

Company No. 07643914

Statement of changes in equity

For the year ended 31 December 2018

| | Share capital £'000 | Profit and loss account £'000 | Total share-holders' funds £'000 |
|--|---------------------------|--|---|
| At 1 January 2017 | - | 33,250 | 33,250 |
| Loss and total comprehensive expense for the year | - | (1,873) | (1,873) |
| At 31 December 2017 | - | 31,377 | 31,377 |
| Profit and total comprehensive income for the year | - | 2,335 | 2,335 |
| At 31 December 2018 | - | 33,712 | 33,712 |

Notes to the financial statements

For the year ended 31 December 2018

1. General information

The annual report and financial statements were approved by the Directors of the Company on 7 May 2019.

The Company is a private company which is limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Level 9, Paddington Central, 2 Kingdom Street, London W2 6BD.

The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The financial statements present information about the Company as an individual undertaking and not about its group. The Company is exempt under section 402 of the Companies Act 2006 from preparing group financial statements on the basis that it is a wholly owned subsidiary of Vertex Pharmaceuticals, Incorporated, and its ultimate parent publishes group financial statements. These financial statements are separate financial statements.

2. Application of new and revised standards and changes in accounting policies

a) Changes in accounting policies

The Company applied IFRS 9 for the first time from 1 January 2018. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

b) New standards, amendments and IFRIC Interpretations

IFRS 9 is new accounting standard that is effective for the year ended 31 December 2018. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2018 which have had a material impact on the company.

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 Financial Instruments:

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 with the initial application date of 1 January 2018. There was no impact or prior period adjustment on adoption of IFRS 9 for the Company.

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless stated otherwise.

a) Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

b) Basis of preparation

The financial statements are presented in GBP, the functional currency, rounded to the nearest thousand GBP (£'000), except where otherwise stated.

The financial statements have been prepared under the historical cost convention and in accordance with Companies Act 2006. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Disclosure exemptions

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

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payment'.
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement'.
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1
- The following paragraphs of IAS 1:
 - 10(d) (statement of cashflows)
 - 16 (statement of compliance with all IFRS)
 - 38A (requirement for minimum of two primary statements, including cashflow statement)
 - 38B-D (additional comparative information)
 - 111 (cashflow information)
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cashflows'
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors'
- Paragraph 17 of IAS 24, 'Related party disclosures'
- The requirements in IAS 24 to disclose related party transactions between two or more wholly-owned members of a group.

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

c) Going concern

The Directors have considered the financial situation of the Company at 31 December 2018, comprising net assets of £33,712,000. All net assets, other than cash of £325,000 are receivable from the Vertex Group and therefore the company is reliant on settlement to fund future financial obligations.

The Company has no employees and minimal future financial obligations. From August 2015 the Company was designated as a non-trading company. Vertex Pharmaceuticals Incorporated, the Company's ultimate parent undertaking, has indicated its intention to provide such on-going financial support as is necessary for the Company to continue in operation and to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

Accordingly, the Directors continue to adopt a going concern basis in preparing the financial statements.

d) Interest income and expense

Interest income and expense is recognised using the effective interest method.

e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in to (i) Financial assets at amortised cost (debt instruments), (ii) Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments), (iii) Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments) and (iv) Financial assets at fair value through profit or loss.

Financial asset at amortised cost (debt instruments), this is the category that is most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met (i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment.

The Company's financial assets at amortised cost include trade receivables, amounts owed by group companies, accrued income and cash and cash equivalents.

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

e) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets

The company applies the IFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, the contract assets have been grouped based on shared credit risk characteristics and the days past due. Considering the nature of the contract assets, the Company has concluded that there is no requirement to make a provision for the expected credit losses.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate. All financial liabilities are recognised initially at fair value net of directly attributable transaction costs. The financial liabilities of the Company are classified as other financial liabilities. The Company's other financial liabilities comprise of trade creditors, amounts owed to group undertakings, accruals and promissory notes. Classification of less than one year or more than one year depends on the contractual terms of the liabilities.

Subsequent Measurement:

Other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the obligation using the effective interest method.

f) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks or with original maturities of three months or less.

g) Share capital

Ordinary shares are classified as equity.

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

h) Current and deferred taxation

The tax expense for the year comprises current and deferred taxation. Tax is recognised in profit or loss in the statement of comprehensive income, 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 UK tax laws enacted substantively at the balance sheet date. The Directors periodically evaluate positions in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. A provision is recognised where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised in respect of all temporary differences arising between the tax base of assets and liabilities and their carrying amount. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; 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 the 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 tax liability is settled. Deferred tax is measured on an undiscounted basis.

Deferred tax assets are recognised only to the extent that the Directors consider that it is probable that there will be suitable future taxable profits 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 income taxes levied by the same tax authority.

i) Foreign currencies

Functional and presentation currency

The Company's functional and presentation currency is GBP which is the currency of the primary economic environment in which the Company operates.

Transactions and balances

Transactions denominated in foreign currencies are translated in the functional currency using the exchange rates prevailing at the dates of the transactions. All foreign currency balances outstanding at the balance sheet date are retranslated at rates of exchange ruling on that date. All exchange differences are taken to profit or loss in the statement of comprehensive income in the period in which they arise.

Gains and losses recorded on retranslation of funding balances are classified below operating profit alongside interest.

Notes to the financial statements (continued)

For the year ended 31 December 2018

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances.

a) Critical accounting estimates and assumptions

There were no critical accounting estimates applied in the production of these financial statements.

b) Critical judgements in applying the Company's accounting policies

There were no critical judgements applied in the application of the Company's accounting policies.

5. Operating loss

Auditor's remuneration for the audit of the Company, of £7,002, has been borne by Vertex Pharmaceuticals (Europe) Limited, the Company's immediate parent company.

6. Staff costs and directors' remuneration

The Company has no employees (2017: none). The Directors were remunerated on the basis of their services to Vertex Pharmaceuticals Inc. group as a whole and their emoluments were borne by other group undertakings in the period and the preceding period.

7. Interest receivable

| | 2018 | 2017 |
|---|-------|-------|
| | £'000 | £'000 |
| Interest receivable on intercompany promissory note | 757 | 623 |
| Total interest receivable | 757 | 623 |

8. Interest payable

| | 2018 | 2017 |
|------------------------------|-------|-------|
| | £'000 | £'000 |
| Payable to group undertaking | 278 | 78 |
| Total interest payable | 278 | 78 |

Notes to the financial statements (continued)

For the year ended 31 December 2018

9. Tax

a) Tax on profit/(loss) on ordinary activities

| | | |
|--|--------------|--------------|
| The tax charge is made up as follows: | 2018 | 2017 |
| | £'000 | £'000 |
| Current tax: | | |
| UK corporation tax on the profit for the year | - | - |
| Total current tax | - | - |
| Total deferred tax | - | - |
| Tax on profit/(loss) on ordinary activities (note 9(b)) | - | - |

b) Factors affecting current tax charge for the year

| | | |
|--|--------------|----------------|
| | 2018 | 2017 |
| | £'000 | £'000 |
| Profit/(loss) on ordinary activities before tax | 2,335 | (1,873) |
| Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%) | 444 | (361) |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | - | - |
| Tax losses carried forward | (354) | 361 |
| Group relief received for nil consideration | (90) | - |
| Total tax for the year (note 9(a)) | - | - |

c) Factors that may affect future tax charges

Finance (No 2) Act 2015 introduced legislation reducing the rate of corporation tax from 20% at 1 April 2016 to 19% from 1 April 2017 and to 18% from 1 April 2020. Finance Act 2016, which received Royal Assent on 15 September 2016, reduced the corporation tax rate to 17% from 1 April 2020.

10. Investments in subsidiaries

| | | |
|----------------------------|--------------|--------------|
| | 2018 | 2017 |
| | £'000 | £'000 |
| Investment in subsidiaries | 3,400 | 3,400 |
| | 3,400 | 3,400 |

As at 31 December 2018, Vertex Pharmaceuticals (UK) Limited owned 100% of Vertex Farmacêutica do Brasil Ltda. The country of incorporation for this entity is Brazil. The registered address of this entity is Rua Trindade, No. 125, Bloco 2, Jardim Margarida, 06730-000, Vargem Grande Paulista, São Paulo, Brazil.

Notes to the financial statements (continued)

For the year ended 31 December 2018

11. Debtors

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Amounts falling due within one year: | | |
| Amounts due from group undertakings | 294 | 77 |
| Promissory notes with Vertex Farmacêutica do Brasil Ltda. | 15,055 | - |
| | 15,349 | 77 |
| Amounts falling due after more than one year: | | |
| Promissory note with Vertex Pharmaceuticals (Europe) Limited | 32,362 | 29,871 |
| Promissory notes with Vertex Farmacêutica do Brasil Ltda. | - | 10,830 |
| | 32,362 | 40,701 |
| | 47,711 | 40,778 |

In 2014, the Company transferred all of its business, assets and liabilities to Vertex Pharmaceuticals (Europe) Ltd in exchange for an intercompany promissory note receivable (\$38,081,000). Interest is receivable by the Company at 1.89% per annum and the balance of this note together with any accrued interest will be due and payable in full on 31 December 2021.

In addition, the Company has entered into a number of promissory notes with Vertex Farmacêutica do Brasil Ltda. The following table outlines the terms of each note:

| Commencement date | Maturity date | Interest charge | £'000 |
|-------------------|---------------|-----------------|---------------|
| 25/08/2015 | 31/08/2019 | 1.43% | 500 |
| 23/03/2016 | 31/08/2019 | 1.43% | 800 |
| 20/05/2016 | 31/08/2019 | 1.43% | 400 |
| 30/06/2016 | 31/08/2019 | 1.43% | 600 |
| 06/09/2016 | 31/08/2019 | 2.76% | 1,150 |
| 18/04/2017 | 31/08/2019 | 2.76% | 1,280 |
| 05/06/2017 | 31/08/2019 | 2.76% | 1,900 |
| 14/09/2017 | 31/08/2019 | 1.43% | 1,900 |
| 11/12/2017 | 31/08/2019 | 1.67% | 2,300 |
| 23/04/2018 | 31/08/2019 | 2.33% | 1,100 |
| 21/06/2018 | 31/08/2019 | 2.58% | 1,700 |
| 23/10/2018 | 31/08/2019 | 2.80% | 1,100 |
| 10/12/2018 | 31/08/2019 | 3.03% | 325 |
| Total | | | 15,055 |

The above promissory notes are classified as amounts falling due within one year in 2018 based on the maturity dates of the receivables.

Amounts due from group undertakings are repayable on demand.

Notes to the financial statements (continued)

For the year ended 31 December 2018

12. Creditors: amounts falling due within one year

| | 2018 | 2017 |
|------------------------------------|--------|--------|
| | £'000 | £'000 |
| Trade creditors | - | - |
| Amounts owed to group undertakings | 17,724 | 13,127 |
| | 17,724 | 13,127 |

Amounts owed to group undertakings are repayable on demand.

13. Issued share capital

| | 2018 | | 2017 | |
|--|------|---|------|---|
| | No. | £ | No. | £ |
| <i>Allotted, called up and fully paid</i> | | | | |
| Ordinary shares of £0.01 each (2016: £0.01 each) | 100 | 1 | 100 | 1 |

14. Ultimate parent undertaking and controlling party

The Directors consider the ultimate parent undertaking and controlling party to be Vertex Pharmaceuticals Incorporated, a company incorporated in the United States of America. This entity heads the smallest and largest group in which the results of the Company are consolidated. Copies of the parent's group financial statements may be obtained from The Secretary, Vertex Pharmaceuticals Incorporated, 50 Northern Avenue, Boston, Massachusetts, USA.

15. Subsequent events

There are no subsequent events.