MSD Oncology Holdings Ltd

Annual Report and Financial Statements
Registered Number 1535776
Financial Year Ended 31 December 2018

MSD Oncology Holdings Ltd

Contents

MSD Oncology Holdings Ltd

Directors and Other Information

Board of Directors

Franz Escherich (Chairman)
Augusto Roberto Villanueva
Pascal Bronnimann
Carlos Fernandez
Daniel Mousson

Secretary

Hogan Lovells International LLP
Atlantic House
Holborn Viaduct
London EC1A 2FG
United Kingdom

Registered Office

Hertford Road
Hoddesdon
Herts
EN11 9BU
United Kingdom

Registered Number: 1535776

Bankers

Bank Mendes Gans BV
Amsterdam
Holland
Netherlands

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
10 Bricket Road
St Albans
Herts
AL1 3JX
United Kingdom

Head Office (Tax Residence)

Weystrasse 20
6006 Lucerne
Switzerland

The directors submit their strategic report together with the directors' report and audited financial statements for the year ended 31 December 2018.

1. Principal activities and review of the business

As of 27 March 2018, the company entered into a collaboration with Eisai Co.Ltd for the co-development and co-commercialization of Lenvima, a drug for multiple cancer types. The two companies share development and marketing costs equally, as well as gross profits from the drug.

2. Review of the business

The company's loss for the financial year was US $238.4m (2017: US $10k).

The company has net liabilities of US $230.6m (2017: net assets of US $7.8m) including investment in group undertakings of US $7.8m (2017: US $7.8m).

The directors do not recommend the payment of any dividends in respect of the year 2018 (2017: NIL).

The company's ultimate parent is Merck & Co., Inc., a United States of America company.

Going concern - After making appropriate enquiries, the directors consider that the company has adequate resources to continue in business for the foreseeable future. Actions were taken place in 2019 to recapitalize the entity with a contribution of additional substance in the form of a US $8.1bn investment. For this reason they continue to adopt the going concern basis in preparing the financial statements.

3. Principal risks and uncertainties

Under the collaboration agreement, the company made an initial payment to Eisai Co.,Ltd of US $750m consisting of a US $300m Upfront Payment and a US $450m reimbursment of previous Research & Development. The company has capitalised the $300m Upfront Payment and US $450m to Research and Development. As part of the collaboration deal, the company will pay US $650m for certain option rights through 2021 (of which US $325m was paid in March 2019, US $200m is expected to be paid in March 2020 and $125m is expected to be paid in March 2021). At the end of the financial year the company is an over-in-debt position of US $230.6m, actions took place in 2019 to recapitalize the entity and ensure the going concern with the contribution of additional substance in the form of a US $8.1bn investment.

4. Key performance indicators

The directors manage the company's operations by reviewing the development and performance of it's collaboration agreement with Eisai Co., Ltd for product Lenvima.

On behalf of the Board

Director	Director
Franz Escherich	Daniel Mousson
11/12/19	

The directors submit their report together with the audited financial statements for the year ended 31 December 2018.

1. Statement of directors' responsibilities

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 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.

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.

2. Accounting records

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 accounting records are kept at the domicile of the company at Weystrasse 20, 6006 Lucerne, Switzerland and at its registered office in England.

3. Principal activities and review of the business

As of 27 March 2018, the company entered into a collaboration with Eisai Co., Ltd for the co-development and co-commercialization of Lenvima, a drug for multiple cancer types. The two companies share development and marketing costs equally, as well as gross profits from the drug.

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4. Results

The result for the year is set out in the Income Statement account on page 8.

5. Principal risks and uncertainties

The principal risks and uncertainties relating to the company are the performance of product Lenvima for which the company has entered a collaboration agreement with Eisai Co.,Ltd to co-develop and co-commercialize.

6. Events after the financial year

As part of several reorganization activities, as of January 2019, the company's entire share capital was transferred from OBS Holdings B.V. to MSD Cubist Holdings U.C.. The new parent contributed its interest in MSD Investments Holdings (Ireland) U.C. at tax book value of US $8,099,464,386 to recapitalize the company.

7. Directors and secretary and their interests

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Franz Escherich (Chairman)
Pascal Bronnimann
Carlos Fernandez (appointed 15 February 2018)
Daniel Mousson (appointed 15 February 2018)
Augusto Roberto Villanueva (appointed 19 June 2018)

The names of the persons who were directors at the date of this report are disclosed in page 2.

8. Disclosure of information to auditors

The directors in office at the date of this report have each confirmed that:

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

On behalf of the Board

Director
Franz Escherich

11/12/19

D. Mousson
Director
Daniel Mousson

Independent auditors' report to the members of MSD Oncology Holdings Ltd

Report on the audit of the financial statements

Opinion

In our opinion, MSD Oncology Holdings Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2018; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.

Robert Girdlestone (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
12 December 2019

MSD Oncology Holdings Ltd

Income Statement

For the year ended 31 December 2018

	Notes	2018 US $'000	2017 US $'000
Revenue		149,278	-
Marketing & Administrative expenses		(7,052)	(10)
R&D expenses		(315,115)	-
Operating loss		(172,889)	(10)
Interest expense		(65,490)	-
Loss before taxation	5	(238,379)	(10)
Tax on loss	6	-	-
Loss for the financial year		(238,379)	(10)

There is no other comprehensive income or expense other than as disclosed above.

The accompanying notes form an integral part of these financial statements.

MSD Oncology Holdings Ltd

Statement of Financial Position

As at 31 December 2018

	Notes	2018 US $'000	2017 US $'000
Fixed assets			
Intangible assets	7	1,322,338	-
Investments	8	7,820	7,820
Current assets			
Debtors	9	431,686	-
Creditors: amounts falling due within one year	10	(1,713,532)	(10)
Net current liabilities		(1,281,846)	(10)
Total assets less current liabilities		48,312	7,810
Creditors: amounts falling due after more than one year	11	(278,881)	-
Net (liabilties)/assets		(230,569)	7,810
Capital and reserves			
Called up share capital	12	-	0
Reserves from capital contributions		7,820	7,820
Accumulated losses		(238,389)	(10)
Total (Deficit)/Equity		(230,569)	7,810

Director

Franz Escherich

11/12/19

D Mousson

Director

Daniel Mousson

Registered number: 1535776

The accompanying notes form an integral part of these financial statements.

MSD Oncology Holdings Ltd

Statement of Changes in Equity

For the year ended 31 December 2018

	Called up share capital	Reserves from capital contributions	Accumulated losses	Total
	US $'000	US $'000	US $'000	US $'000
Balance as at 1 January 2017	-	-	-	-
Result for the financial year	-	-	(10)	(10)
Capital Contribution		7,820		7,820
Total transactions with owners, recognised directly in equity	-	**7,820**	-	**7,820**
Balance as at 31 December 2017	-	**7,820**	**(10)**	**7,810**

	Called up share capital	Reserves from capital contributions	Accumulated losses	Total
	US $'000	US $'000	US $'000	US $'000
Balance as at 1 January 2018	-	7,820	(10)	7,810
Loss for the financial year	-	-	(238,379)	(238,379)
Capital contribution	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-
Balance as at 31 December 2018	-	**7,820**	**(238,389)**	**(230,569)**

The "reserves from capital contribution" account consists of contributions of shares in other group companies from the company's shareholders. The directors do not currently consider these to be a part of the permanent capital of the company. This account qualifies as contributed capital in the sense of Art. 5 of the Swiss withholding tax law (Art. 5 VSTG).The amount of US $7,819,858 per end of 2018 is yet to be confirmed by the Swiss Federal Tax Administration.

* Called up share capital consists of 100 ordinary shares of £1 each.

The accompanying notes form an integral part of these financial statements.

1. General information

MSD Oncology Holdings Ltd. is a registered limited company registered at the following address, Herford Road, Hoddesdon, Hertfodshire, EN11 9BU, England with registration number 1535776. The company is a private company limited by shares.
The company is incorporated in England.

As of 27 March 2018, the company entered into a collaboration with Eisai Co.Ltd for the co-development and co-commercialization of Lenvima, a drug for multiple cancer types. The two companies share development and marketing costs equally, as well as gross profits from the drug.

2. 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 of the years presented, unless otherwise stated.

(a) **Basis of preparation**

The entity financial statements have been prepared on a going concern basis in accordance with the 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 certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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:

  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  (iii) 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), and
  - 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' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- 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.

2. Summary of significant accounting policies (continued)

(b) Consolidated financial statements

The company is a wholly owned subsidiary of its ultimate parent, Merck & Co., Inc and is included in the consolidated financial statements drawn up of Merck & Co., Inc. Those financial statements, prepared in accordance with US GAAP, have been prepared in a manner equivalent to consolidated financial statements drawn up in accordance with the provisions of the Seventh Directive (83/349/EEC) and are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006. Details of subsidiary undertakings are included in note 7 of the financial statements.

(c) Holding company

The ultimate parent company and controlling party of MSD Oncology Holdings Ltd. is Merck & Co., Inc. Merck & Co., Inc. is the holding company of the smallest and largest group of undertakings for which group financial statements are drawn up and of which MSD Oncology Holdings Ltd. is a member. The group financial statements are available from the office of the ultimate parent at the following address: 2000 Galloping Hill Road, Kenilworth, New Jersey 07033, United States of America. The immediate parent company is OBS Holdings B.V., a company incorporated in The Netherlands.

(d) Contingencies

The company records accruals for contingencies when it is probable that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted periodically as assessments change or additional information becomes available.

(e) Financial assets

(i) Classification
The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise intercompany loans receivable and investments in subsidiaries in the statement of financial position.

(iii) Recognition
Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the constant yield method.

(iv) Impairment of financial assets
The Company assesses, at the end of each reporting period, whether there is is objective evidence that a financial asset or group of financial assets is impaired. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables.

2. Summary of significant accounting policies (continued)

(f) **Investment in subsidiary undertakings**

Investments in subsidiary undertakings are shown at cost less provision for impairment.

(g) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and deposits held at call with banks. Overdrafts consist of balances that are part of a notional cash pooling account.

(h) **Other receivables**

If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(i) **Creditors**

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

(j) **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, from the proceeds.

(k) **Revenue**

Revenue is defined as inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations (ordinary activities). Revenue is recognized as a result of the entity satisfying its promise to transfer goods or services in a contract with a customer. The company has adopted IFRS15 Revenue from Contracts with Customers for the recognition of revenue.

(l) **Intangible Assets**

Intangible asset: an identifiable non-monetary asset without physical substance. An asset is a resource that is controlled by the entity as a result of past events (for example, purchase or self-creation) and from which future economic benefits (inflows of cash or other assets) are expected. [IAS 38.8] Thus, the three critical attributes of an intangible asset are:

- Identifiability
- Control (power to obtain benefits from the asset)
- Future economic benefits (such as revenues or reduced future costs)

After initial recognition, an intangible asset is measured at cost less accumulated amortization. An intangible asset with a finite useful life is amortized.

When a regulatory approval milestone is met (FDA or major market approval is obtained) and the projected cash flows exceed the milestone payment(s), then the milestone should be capitalized as an intangible asset and amortized over its useful life. Useful life is defined as the patent life for which product Lenvima has PTE and pediatric exclusivity expected to have patent protections through to April 2026. Future sales-based milestones should be accrued when probable and reasonably estimable and be capitalized as intangible assets provided that future cash flows support amounts capitalized, subject to cumulative amortization catch-up from the time of the first regulatory approval.

A research and development project acquired in a business combination is recognized as an asset at cost, even if a component is research. Subsequent expenditure on that project is accounted for as any other research and development cost (expensed except to the extent that the expenditure satisfies the criteria in IAS 38 for recognizing such expenditure as an intangible asset). [IAS 38.34].

(m) **Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2. Summary of significant accounting policies (continued)

(n) **Foreign currency**

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in United States (U.S.) Dollars ($), which is also the company's functional currency.

Transactions and balances

Transactions in foreign currencies are translated at the rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial postion date are translated to U.S. dollars at the rates of exchange prevailing at that date. Gains and losses on foreign exchange transactions are recognised in the income statement.

(o) **Capital contributions**

Assets received from the company's parent for no consideration are recorded in share premium or other reserves from capital contributions in equity. Both accounts qualify as contributed capital in the sense of Art. 5 of the Swiss withholding tax law (Art. 5 VSTG).

(p) **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.

(q) **Corporation and deferred tax**

Tax is recognised in the income statement, except to the extent it relates to items recognised directly in shareholders' funds. In such instances the tax is also recognised directly in shareholders' funds.

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. Deferred tax liabilities are not recognised when they arise from the initial recognition of goodwill or arise from the 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 nor loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income asset is realised or deferred income tax liability is settled.

Deferred income tax assets are only recognised 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 tax asset and liabilities relate to income tax levied by the same tax authority on either the same taxable entity or different entities where there is an intention to settle the balances on a net basis.

3. *Critical accounting estimates and judgements*

Estimation techniques

The company's financial statements include certain amounts that are based on management's best estimates and judgments. Estimates are used in determining such items as impairments of long-lived assets (primarily investments in affiliated companies). Because of the uncertainty inherent in such estimates, actual results may differ from these estimates. Application of the certain accounting policies result in accounting estimates having the potential for the most significant impact on the financial statements.

Impairments of Long-Lived Assets

The company periodically evaluates whether current facts or circumstances indicate that the carrying values of its long-lived assets, primarily investments in affiliated companies, may not be recoverable. If such circumstances are determined to exist, an estimate of the discounted future cash flows of these assets, or appropriate asset groupings, is compared to the carrying value to determine whether impairment exists. If the asset is determined to be impaired, the loss is measured based on the difference between the asset's fair value and its carrying value. The company will estimate fair value using a discounted value of estimated future cash flows approach. The directors do not consider the estimates to be critical.

4. Employment and remuneration

The company does not have any employees (2017: nil). No director or persons connected with them received or waived any emoluments, other assets, contributions to retirement benefit schemes and compensation for loss of office directly, in respect of services while director of the company, as director of any of the company's subsidiary undertakings or otherwise in connection with the management of the affairs of the company or any of its subsidiary undertakings.

5. *Loss before taxation*

Auditors' remuneration for the statutory audit of the company was £7,000 (2017: £7,000).
Remuneration for other non-audit services to the auditor was NIL (2017: NIL).

6. *Tax on loss*

The company is managed and controlled from Switzerland and therefore is subject to taxation on income in that jurisdiction. The current income tax charge for the year is different from the charge that would result from applying the standard rate of Swiss corporation tax to profit before taxation. The differences are explained below:

	2018 US $'000	2017 US $'000
Current income tax:		
Swiss corporation tax for the year	-	-
Loss before taxation	(238,379)	(10)
Multiplied by the average rate of Swiss corporation tax for the year of 7.83% (2017: 7.83%)	(18,665)	-
Effects of:		
Disallowable expense	18,665	-
	-	-

7. *Intangible assets*

	I.P. Rights US $'000
At 1 January 2018	
Cost	
Carrying amount	-
At 31 December 2018	
Opening carrying amount	-
Addition	1,450,560
Accumulated amortisation	(128,222)
Carrying amount	1,322,338

The intangible additions include:
- US $300m Upfront payment and US $650m Option payments for 2019-2021 which was discounted to US $551m to be recognized in 2018 as part of a global collaboration agreement with Eisai Co.Ltd
- US $600m capitalised IP milestone payments in relation to regulatory approvals of Lenvima in different markets and accrued sales milestone payments, and
Amortisation is calculated on the period left until the product goes off patent in Oct-2026.

8. *Investments*

	MSD Oncology GmbH US $'000	Total US $'000
At 1 January 2018		
Cost	7,820	7,820
Carrying amount	7,820	7,820
Financial year ended 31 December 2018		
Opening carrying amount	7,820	7,820
Closing carrying amount	**7,820**	**7,820**
At 31 December 2018		
Cost	7,820	7,820
Carrying amount	**7,820**	**7,820**

Investments comprise equity shares in MSD Oncology GmbH (a subsidiary undertaking), which is not publicly traded.

Details of investment in related companies are:

Subsidiary	Holding	Type	Nature of Business	Registered address
MSD Oncology GmbH	100%	Ordinary shares	Co-development and co-promotion of pharmaceutical products	Weystrasse 20, 6006 Lucerne, Switzerland

9. *Debtors*

	2018 US $'000	2017 US $'000
Amounts falling due within one year:		
R&D Prepayment	358,101	-
Trade receivables	73,585	-
	431,686	-

10. *Creditors: amounts falling due within one year*

	2018 US $'000	2017 US $'000
Amounts falling due within one year:		
Amount due to group undertakings	1,043,658	-
Accruals	669,874	10
	1,713,532	10

Amounts due to group undertakings are unsecured, interest bearing and payable on demand.

11. Creditors: amounts falling due after more than one year

	2018 US $'000	2017 US $'000
Amounts falling due after more than one year:		
Accruals	278,881	-
	278,881	-

The creditors falling due after more than one year attract no interest.

12. Called up share capital

	2018 US $'000	2017 US $'000
Allotted, called up and fully paid:		
100 (2017: 100) ordinary shares of £1 each at USD rate 1.34225 – presented as equity	-	-

13. Guarantees and other financial commitments

The company had no guarantees or capital commitments at 31 December 2018 and at 31 December 2017.

14. Events after the statement of financial position date

As part of several reorganization activities, as of January 2019, the company's entire share capital was transferred from OBS Holdings B.V. to MSD Cubist Holdings U.C. The new parent contributed its interest in MSD Investments Holdings (Ireland) U.C. at tax book value of US $8,099,464,386 to recapitalize the company.

15. Approval of financial statements

The directors approved the financial statements on 11 DEC 2019