

Registered No. 00787610

Astellas Pharma Ltd.

Reports and Financial Statements

31 March 2019

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COMPANIES HOUSE

Directors

I M Hall
A J Pearson

Auditor

Ernst & Young LLP
1 More London Place
SE1 2AF

Registered Office

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68 Chertsey Road
Woking
Surrey
GU21 5 BJ
United Kingdom

Directors' report

The directors present their report and financial statements for the year ended 31 March 2019.

Results and dividends

The profit for the year after taxation amounted to £5,087,000 (2018 –£4,879,000). The directors do not recommend a final dividend (2018 – £nil).

Research and development

The company undertakes certain phase IIIb and IV clinical trials on behalf of other group companies and supports other research and development projects undertaken by certain healthcare professionals. The average number of employees and contractors engaged in research and development is 8 (2018 – 8).

Future developments

The company is currently involved in research and development of pharmaceutical products for human use. The directors expect this activity to continue but at a much lower level than previous years.

The company actively markets and manages its portfolio of products to focus on revenue building and maintenance, which, over the life cycle of the products, can contribute to the future profits of the business.

Going concern

The company's business activities, together with its principal risks and uncertainties factors are described in the Strategic report.

The company's financial statements are prepared using the going concern basis of accounting; the directors have concluded that, based on future forecasts and the provision of financial support by the parent company, Astellas Pharma Europe Limited, there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

Directors

The directors who served the company during the year and up to the date of this report were as follows:

I M Hall

A J Pearson (appointed 1 April 2019)

J M Sanz (resigned 31 March 2019)

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 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Political donations

There have been no political donations in the year (2018: nil).

Disabled employees

The company considers applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practical in the same or an alternative position and to provide appropriate training to achieve this aim.

Directors' report (continued)

Employee involvement

The company operates a framework for employee information and consultation that complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the group has been continued through the newsletter 'Aspire' in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through sharing the company's goals.

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, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with s.485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

On behalf of the Board



I M Hall

Director

Date: 14/11/19

Strategic report

The directors present their strategic report for the year ended 31 March 2019.

Principal activity and review of the business

The principal activity of the company during the year continued to be the sale of pharmaceutical products for human use.

Key performance indicators

The company's key financial performance indicators during the year were as follows:

	2019 £000	2018 £000	Change %
Turnover	188,837	190,928	-1%
Profit after tax	5,087	4,879	4%
Shareholder's funds	54,859	49,799	10%

Turnover decreased by 1% during the year, primarily due to a decline in performance of the existing product range and an increase in government levy rates.

Profit after tax increased by 4%. This is due to improved margins from the mix of product sales compared to prior year. The only movement on shareholder's funds relates to profit and actuarial losses for the year.

Principal risks and uncertainties

The company has identified the principal areas of risk that it faces as:

Impact of pharmaceutical regulations

The business is subject to various regulations including medical cost containment measures. Any tightening of these could have a negative impact on earnings. More stringent regulations governing clinical development, production and distribution of pharmaceuticals could also increase costs.

Product risk

The company's results could be adversely affected if it cannot appropriately maintain and protect patents on its leading products. If any significant product liability litigation is initiated, or if our products cause unexpected adverse effects then this too could have a negative impact on earnings.

In addition, technology is rapidly advancing and the company faces intensifying competition. If rivals launch highly competitive peer products, the company's business results could be adversely affected.

Financial instrument risk

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Strategic report (continued)

Principal risks and uncertainties (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The company manages its cash flow in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business. The directors have received confirmation from the Astellas Group that financial support will be provided for the foreseeable future.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures, such as conducting credit checks and other established credit control procedures.

On behalf of the Board



I M Hall
Director

Date: 14/11/19

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 FRS 101 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 proper 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 Astellas Pharma Ltd.

Opinion

We have audited the financial statements of Astellas Pharma Limited for the year ended 31 March 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 20, 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 including 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 March 31, 2019 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.

Independent auditor's report (continued)

to the members of Astellas Pharma Ltd.

We have nothing to report in this regard.

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 on page 6, 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.

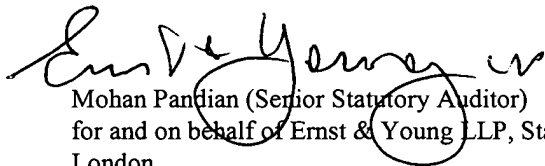
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditor's report (continued)

to the members of Astellas Pharma Ltd.

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



Mohan Pandian (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: **15 NOV 2019**

Income Statement

for the year ended 31 March 2019

	<i>Notes</i>	<i>2019</i> <i>£000</i>	<i>2018</i> <i>£000</i>
Turnover	3	188,837	190,928
Cost of sales		(154,306)	(156,668)
Gross profit		34,531	34,260
Administrative expenses		(26,269)	(26,434)
Distribution expenses		(1,781)	(1,730)
Operating profit	4	6,481	6,096
Interest receivable and similar income	7	120	36
Other finance expenses, net	8	(290)	(100)
Profit before taxation		6,311	6,032
Taxation on profit	9	(1,224)	(1,153)
Profit for the financial year		5,087	4,879

All amounts relate to continuing operations.

Statement of comprehensive income

for the year ended 31 March 2019

		2019	2018
	Notes	£000	£000
<i>Profit for the financial year</i>		5,087	4,879
<i>Other comprehensive income:</i>			
<i>Items that cannot be reclassified to profit or loss:</i>			
Actuarial (loss)/gain recognised in the pension scheme	15	(34)	759
Deferred tax credit/(charge) arising thereon	9	7	(144)
		<u>(27)</u>	<u>615</u>
<i>Other comprehensive (loss)/Income for the year, net of tax</i>			
		<u>5,060</u>	<u>5,494</u>

Statement of changes in equity

for the year ended 31 March 2019

	<i>Share capital £'000</i>	<i>Profit and loss £'000</i>	<i>Total equity £'000</i>
As at 31 March 2017	11,200	33,105	44,305
Profit for the year	-	4,879	4,879
Other comprehensive income	-	615	615
<i>Total comprehensive income for the year</i>	-	5,494	5,494
As at 31 March 2018	11,200	38,599	49,799
Profit for the year	-	5,087	5,087
Other comprehensive loss	-	(27)	(27)
<i>Total comprehensive income for the year</i>	-	5,060	5,060
As at 31 March 2019	11,200	43,659	54,859

Statement of financial position

at 31 March 2019

		2019	2018
	Notes	£000	£000
Fixed assets			
Intangible assets	10	966	966
Tangible assets	11	-	35
		<u>966</u>	<u>1,001</u>
Current assets			
Stocks	12	74,963	57,043
Debtors	13	58,204	74,523
Deferred tax asset	9	742	735
		<u>133,909</u>	<u>132,301</u>
Creditors: amounts falling due within one year	14	(76,854)	(80,333)
Net current assets		<u>57,055</u>	<u>51,968</u>
Total assets less current liabilities		<u>58,021</u>	<u>52,969</u>
Pension liability	15	(3,162)	(3,170)
Net assets		<u>54,859</u>	<u>49,799</u>
Capital and reserves			
Called up share capital	16	11,200	11,200
Profit and loss account		43,659	38,599
Shareholder's funds		<u>54,859</u>	<u>49,799</u>

Approved by the Board of Directors and signed on their behalf by:



M Hall

Director

Date 14/11/19

Notes to the financial statements

at 31 March 2019

1. Authorisation of financial statements and statement of compliance with FRS 101

Astellas Pharma Limited ("the Company"), having its registered office at 2000 Hillswood Drive, Chertsey, Surrey KT16 0RS, United Kingdom is a private company limited by share capital incorporated and domiciled in England and Wales. The principal activity of the company is the sale of pharmaceutical products for human use.

The financial statements of Astellas Pharma Limited for the year ended 31 March 2019 were authorised for issue by the board of directors on 14 November 2019 and the balance sheet was signed on the board's behalf by I M Hall.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair override in respect of the non-amortisation of goodwill (see goodwill policy below).

The company's immediate parent undertaking is Astellas Pharma Europe Ltd., a company incorporated in England.

The company's ultimate parent undertaking and controlling party is Astellas Pharma Inc., which is incorporated in Japan.

The largest group in which the results of the company are consolidated is that headed by Astellas Pharma Inc., incorporated in Japan. The group financial statements are available to the public and may be obtained from 3-11, Nihonbashi - Honcho, 2 - Chome, Chuo-ku, Tokyo 103, Japan. The smallest group in which they are included is that headed by Astellas Pharma Europe Limited, a company incorporated in the United Kingdom. The group financial statements of this group are available to the public and may be obtained from the registered office of the parent company 2000 Hillswood Drive, Chertsey, Surrey, KT16 0RS.

2. Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2019.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of IAS 7 Statement of Cash Flows;
- (c) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (d) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (e) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*; and
- (f) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*; and
 - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*.
- (g) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.
- (h) the requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- (i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c) -135(e) of IAS 36 Impairment of Assets
- (j) the requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, changes in Estimates and Errors.

The company's financial statements are prepared and presented in GBP as the directors' regard this as the company's functional currency.

Notes to the financial statements (continued)

at 31 March 2019

The financial statements are prepared under the historical cost convention except where FRS 101 requires items to be accounted for at fair value.

2. Accounting policies (continued)

New standards, interpretations and amendments

The accounting policies adopted are consistent with that of the previous financial years except for the following amendments to FRS 101 effective of 1 January 2018.

IFRS 9: Financial Instruments: Classification and Measurement

Effective for annual periods beginning on or after 1 January 2018. The chapters regarding classification and measurement of financial instruments of financial assets and a change in reporting regarding financial liabilities designated at fair value through the profit and loss using the fair value option.

The Directors have concluded that the adoption of IFRS 9 did not have a material impact on the opening balances as at 1 April 2018 or on closing balances as at 31 March 2019.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Directors have concluded that the adoption of IFRS 15 did not have a material impact on the opening balances as at 1 April 2018 or on closing balances as at 31 March 2019.

Going concern

The company's financial statements are prepared using the going concern basis of accounting; the Directors have concluded that, based on future forecasts and the provision of financial support by the parent company, Astellas Pharma Europe Limited, there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

Research and development expenditure

Expenditure on research and development is written off in the income statement in the year in which it is incurred.

Intangible fixed assets

Concessions, patents, licences and trademarks

Concessions, patents, licences, trademarks and similar rights and assets acquired separately from a business are capitalised at cost and amortised over their lifetime.

Notes to the financial statements (continued)

at 31 March 2019

Intangible assets created within the business are not capitalised and the expenditure is charged against profits in the year in which it is incurred.

Intangible assets, other than goodwill, are amortised on a straight line basis over their estimated useful life of 10 years.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

Goodwill

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the company amortised goodwill a period of 10 years would have been chosen as the useful life for goodwill. The profit for the year would have remained unchanged, as the goodwill would have been fully amortised in the prior year.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Notes to the financial statements (continued)

at 31 March 2019

2. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets except land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life from the date of first use, as follows:

Plant, machinery, fixtures and fittings	–	over 2 to 5 years
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The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate these carrying values may not be recoverable. Expenditure in respect of assets in the process of being brought into use is capitalised as an asset under the course of construction. Depreciation is charged from the date on which the asset is brought in to use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost include all costs incurred in bringing each product to its present location and condition.

Notes to the financial statements (continued)

at 31 March 2019

2. Accounting policies (continued)

Trade and other debtors

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit and loss. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environments. The ECL for the current and prior years are not material and are therefore not disclosed in the respective note.

Cash at bank and in hand

Cash and short term deposits in the Statement of Financial Position comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value. After initial recognition, they are carried at amortised cost, based on the effective interest method. Gains and losses are taken to the income statement. Amortised cost is calculated using the effective interest method less any reductions for impairment or un-collectability. The calculation takes into account any premium or discount at the time of acquisition, as well as transaction costs and fees forming an integral part of the effective interest rate.

Financial liabilities

Financial liabilities are initially recognised at fair value, plus, in the case of financial liabilities not classified at fair value through profit or loss, directly attributable transaction costs. Financial liabilities are carried at amortised cost using the effective interest method. Gains or losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

Notes to the financial statements (continued)

at 31 March 2019

2. Accounting policies (continued)

Revenue Recognition

Revenue is recognised when control of the promised products is transferred to the customer by the Company. This is usually done upon despatch. Revenue is measured at the fair value of the consideration received. If the transaction price in a contract includes rebates, discounts and other consideration payable to a customer, this is reduced from consideration received from the customer.

Revenue from royalty income is generated from contracts under which other parties have been granted rights to produce or market pharmaceutical products or rights to use technologies. According to the nature of the related performance obligation, revenue is recognised at a point in time when the performance obligation is satisfied.

Interest income is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted at the balance sheet date. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Notes to the financial statements (continued)

at 31 March 2019

2. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Leasing commitments

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Pensions

The company operates a pension scheme, which provides benefits on a money purchase basis but with an underlying guarantee for certain members based on pensionable pay close to retirement. The assets of the scheme are held separately from those of the company, being invested with insurance companies. The cost of providing pension benefits is charged to the income statement over the period benefiting from employee's services.

Pension scheme liabilities are measured on an actuarial basis using a projected unit credit method and are discounted to their present value using the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Pension scheme assets are valued at market value at the balance sheet date.

The pension scheme surplus or deficit is recognised in full on the balance sheet. The deferred tax relating to a defined benefit asset or liability is not offset against the defined benefit asset or liability and is included with other deferred tax assets or liabilities.

Increases in the present value of the scheme liabilities expected to arise from employee service in the period are charged to operating profit. The expected return on scheme assets less the increase in the present value of scheme liabilities arising from the passage of time are included in other interest and shown adjacent to interest payable. Actuarial gains and losses are recognised in other comprehensive income.

The company also contributes for some employees to their personal pension schemes in line with a group policy on a defined contribution basis. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme and the company has no potential liability other than for the payments of these contributions.

Notes to the financial statements (continued)

at 31 March 2019

3. Turnover

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of consideration received, excluding discounts, rebates, VAT and other sales tax or duty. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on the dispatch of the goods.

An analysis of turnover is given below:

	2019 £000	2018 £000
Sale of goods	188,837	190,928

An analysis of turnover by geographical market is given below:

	2019 £000	2018 £000
United Kingdom	188,837	190,928

4. Operating profit

This is stated after charging:

	2019 £000	2018 £000
Auditor's remuneration – audit	129	93
– other services	23	37
Research and development expenditure net of recharge to affiliates	4,088	3,111
Depreciation of tangible fixed assets	35	64
Operating lease rentals – minimum lease payments	530	653
Cost of stocks recognised as an expenses (included in cost of sales)	154,306	156,668

Notes to the financial statements (continued)

at 31 March 2019

5. Directors' remuneration

	2019 £000	2018 £000
Directors' remuneration	682	1,309
Company pension contributions	27	40
Total directors' remuneration	709	1,349

Retirement benefits are accruing to two directors under a defined contribution pension scheme (2018 – three).
The amounts in respect of the highest paid director are as follows:

	2019 £000	2018 £000
Directors' remuneration	415	757
Company pension contributions	9	16
	424	773

6. Staff costs

	2019 £000	2018 £000
Wages and salaries	12,481	14,804
Social security costs	1,539	1,813
Other pension costs	1,434	1,534
	15,454	18,151

The average monthly number of persons employed by the company (including directors) during the year was as follows:

	2019 No.	2018 No.
Administration, marketing, research and development	160	195

7. Interest receivable and similar income

	2019 £000	2018 £000
Interest income receivable	120	36

Notes to the financial statements (continued)

at 31 March 2019

8. Other finance expenses, net

	2019 £000	2018 £000
Expected return on pension scheme assets	(342)	(339)
Interest on pension scheme liabilities	421	439
Past service cost on pension scheme	211	-
	<u>290</u>	<u>100</u>
	<u><u>290</u></u>	<u><u>100</u></u>

Notes to the financial statements (continued)

at 31 March 2019

9. Tax

(a) Tax charged in the income statement

The tax expense is made up as follows:

	2019 £000	2018 £000
<i>Current tax:</i>		
UK corporation tax on the profit for the year	1,224	1,169
Adjustment in respect of prior years	-	(52)
Total current tax	1,224	1,117
<i>Deferred tax:</i>		
Origination and reversal of timing differences	-	36
Total deferred tax	-	36
Tax expense in the income statement	1,224	1,153

(b) Reconciliation of the total tax charge

The tax expense in the income statement differs from the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	6,311	6,032
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	1,199	1,146
<i>Effects of:</i>		
Non-deductible expenses	25	58
Capital allowances in excess of depreciation	-	(2)
Other timing differences	-	3
Adjustments in respect of prior years	-	(52)
Total tax expense reported in the income statement	1,224	1,153

Notes to the financial statements (continued)

at 31 March 2019

9 Tax (continued)

(c) Deferred tax

The UK Government has announced a phased reduction in the main rate of corporation tax in the UK. On 1 April 2017, the rate was reduced from 20% to 19%. A further reduction is expected to follow, reducing the corporation tax rate to 17% from 1 April 2020. Deferred tax has been calculated applying the tax rates that have been enacted at the balance sheet date with no material effect on the Company.

	2019 £000	2018 £000
Opening deferred tax asset	735	916
Recognised in profit during the year	-	(37)
Recognised in other comprehensive income during the year	7	(144)
At 31 March	<u>742</u>	<u>735</u>

The deferred tax in the income statement is as follows:

	2019 £000	2018 £000
Origination and reversal of timing differences	-	37
Deferred tax expense	<u>-</u>	<u>37</u>

The deferred tax included in the Statement of Financial Position consists of:

	2019 £000	2018 £000
Deferred tax assets relating to the deficit on pension scheme	602	602
Decelerated capital allowances	64	64
Short-term timing differences	76	69
Undiscounted deferred tax asset	<u>742</u>	<u>735</u>

These deferred tax assets have been recognised as the company expects to generate taxable profits against which they can be utilised in the foreseeable future.

Notes to the financial statements (continued)

at 31 March 2019

10. Intangible fixed assets

	<i>Concessions, patents, licences, trade marks, and similar rights and assets £000</i>	<i>Goodwill £000</i>	<i>Total £000</i>
Cost:			
At 1 April 2018 and 31 March 2019	3,331	6,888	10,219
Amortisation:			
At 1 April 2018	3,331	5,922	9,253
Provided during the year	-	-	-
At 31 March 2019	3,331	5,922	9,253
Net book value:			
At 31 March 2019	-	966	966
At 1 April 2018	-	966	966

The goodwill acquired through business combinations represents the rights to distribute three transplant products. This has been allocated to one cash generating unit, transplant. This represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

The recoverable amount of the transplant cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Directors covering a three-year period.

11. Tangible fixed assets

	<i>Plant, machinery, fixtures and fittings £000</i>
Cost:	
At 1 April 2018	406
At 31 March 2019	406
Depreciation:	
At 1 April 2018	371
Charge for the year	35
At 31 March 2019	406
Net book value:	
At 31 March 2019	-
At 1 April 2018	35

Notes to the financial statements (continued)

at 31 March 2019

12. Stocks

	2019	2018
	£000	£000
Finished goods and goods for resale	74,963	57,043

13. Debtors

	2019	2018
	£000	£000
Trade debtors	40,519	42,946
Amounts owed by group undertakings	16,513	30,874
Other debtors	835	377
Prepayments and accrued income	337	326
	58,204	74,523

14. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	443	438
Amounts owed to group undertakings	60,701	65,173
Corporation tax	361	-
Other taxes and social security	6,470	6,792
Accruals and deferred income	8,848	7,791
Other creditors	31	139
	76,854	80,333

Notes to the financial statements (continued)

at 31 March 2019

15. Pensions

The company operates a funded, defined benefit pension scheme, which provides benefits on a money purchase basis but with an underlying guarantee for certain members based on pensionable pay close to retirement. The scheme is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. The assets of the scheme are held separately from those of the company, consisting of units in an insurance company's managed fund plus insured annuity contracts for members who have retired. The defined benefit pension scheme exposes the employer to actuarial risks, such as longevity risk, interest rate risk, salary risk, market (investment) risk and currency risk.

The Trustees of the Scheme invest the assets in line with the Statement of Investment Principles. The Statement of Investment Principles has been established taking into consideration the liabilities of the Scheme and the investment risk that the Trustees are willing to accept. Total contributions made to the scheme for the year ended 31 March 2019 were £332,000 (2018 –£182,000).

A full actuarial valuation was carried out as at 1 April 2017 and updated to 31 March 2019 by a qualified independent actuary. The major assumptions used by the actuary were:

	2019	2018	2017
	%	%	%
Rate of increase in salaries	n/a	n/a	n/a
Discount rate	2.40	2.50	2.50
RPI Inflation assumption	3.30	3.10	3.20
CPI Inflation assumption	2.30	2.10	2.20
Expected return on scheme assets	2.40	2.50	2.50
Rate of increase to pensions in payment			
Lower of 5.00% and RPI	2.30	2.20	2.20
Lower of 3.00% and RPI	2.00	1.90	1.90
Lower of 2.50% and RPI	1.80	1.70	1.80

The assets in the scheme and the expected rates of return were:

	2019	2019	2018	2018	2017	2017
	%	£000	%	£000	%	£000
Equities	2.40	8,416	2.50	10,088	2.50	12,730
Bonds	2.40	2,218	2.50	2,150	2.50	729
Others	2.40	3,583	2.50	1,543	2.50	495
Total market value of assets		14,217		13,781		13,954
Actuarial value of liabilities		(17,379)		(16,951)		(17,965)
Liability in the scheme		(3,162)		(3,170)		(4,011)

Actual return on scheme assets:

	2019	2018
	£000	£000
Actual return on scheme assets	581	442

Notes to the financial statements (continued)

at 31 March 2019

15. Pensions (continued)

Analysis of amount charged to in the income statement

	2019 £000	2018 £000
Interest on obligation	421	439
Expected return on scheme assets	(342)	(339)
Past service cost	211	
Total expense recognised in income statement	290	100

Analysis of amount recognised in the Other Comprehensive Income:

	2019 £000	2018 £000
Actual return less expected return on pension scheme assets	(239)	(103)
Experience gains and losses arising on scheme liabilities	119	(116)
(Gain)/loss from changes in the demographic assumptions for value of Scheme liabilities	(303)	(423)
(Gain)/loss from changes in the financial assumptions for value of Scheme liabilities	457	(117)
Actuarial (gain)/loss recognised in other comprehensive income	34	(759)

Reconciliation of the present value of the defined benefit obligation:

	2019 £000	2018 £000
Opening defined benefit obligation	16,951	17,965
Interest cost	421	439
Actuarial gains/(losses) on scheme liabilities	273	(656)
Past service costs	211	-
Benefits paid	(477)	(797)
Present value of defined benefit obligation at end of year	17,379	16,951

The weighted average duration of the defined benefit obligation is 16 years.

Notes to the financial statements (continued)

at 31 March 2019

15. Pensions (continued)

Reconciliation of fair value of scheme assets:

	2019 £000	2018 £000
Fair value of scheme assets at start of year	13,781	13,954
Expected return on scheme assets	342	339
Actuarial gains on scheme assets	239	103
Contributions by the company	332	182
Benefits paid	(477)	(797)
Fair value of scheme assets at end of year	14,217	13,781

There are no reimbursements rights recognised as assets (2018: nil).

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumptions	Revised surplus/(deficit) £000	Change from disclosed £000
Discount rate less 0.5% p.a.	(4,703)	(1,541)
RPI inflation and linked assumptions plus 0.1% p.a.	(3,295)	(133)
Members living one year longer than assumed	(3,652)	(490)

Estimated contributions

The employer's best estimate of contributions to be paid to the scheme by the company next year is £332,000 (2018– £332,000).

16. Issued share capital

	No.	2019 £000	No.	2018 £000
<i>Authorised, allotted, called up and fully paid</i>				
Ordinary shares of £1 each	11,200,000	11,200	11,200,000	11,200

Notes to the financial statements (continued)

at 31 March 2019

17. Other financial commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2019 £000	2018 £000
Not later than one year	383	365
After one year but not more than five years	343	484
	<u>726</u>	<u>849</u>

18. Related party transactions

As 100% of the company's voting rights are controlled within the group headed by Astellas Pharma Inc, the company has taken advantage of the exemptions contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the group.

There are no other related party transactions requiring disclosure.

19. Parent undertaking and controlling party

The company's immediate parent undertaking is Astellas Pharma Europe Limited, a subsidiary of Astellas B.V.

The company's ultimate parent undertaking and controlling party is Astellas Pharma Inc, which is incorporated in Japan.

The largest group in which the results of the company are included is that headed by Astellas Pharma Inc. incorporated in Japan. The group financial statements are available to the public and may be obtained from 3-11 Nihonbashi-Honcho, 2-chome Chuo-ku, Tokyo 103, Japan. The smallest group in which they are included is that headed by Astellas Pharma Europe Limited, a company incorporated in the United Kingdom. The group financial statements of this group are available to the public and may be obtained from the registered office of the parent company 2000 Hillswood Drive, Chertsey, Surrey, KT16 0RS.

20. Subsequent Events

In July 2019, the Company signed a lease agreement for a new office in Woking. The agreement is for 10 years, the annual rent is £438,000, and there is a rent-free period of 22 months. The Company plans to move into the property in November 2019.