

Takeda UK Limited

**Annual report and financial statements
for the year ended 31 March 2020**

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Takeda UK Limited

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Takeda UK Limited

Company information

Directors

J Neal
K Shirahata
M Gibbons

Registered number

03362860

Registered office

1 Kingdom Street
London
United Kingdom
W2 6BD

Auditor

KPMG LLP
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Takeda UK Limited

Strategic report for the year ended 31 March 2020

The directors present their Strategic report on the company for the year ended 31 March 2020.

Review of business

The company's principal activity is the distribution of pharmaceutical products in the United Kingdom.

The Takeda group acquired Shire Plc in January 2019 through a global acquisition. In February 2020, the company acquired 100% of the issued share capital of Shire Pharmaceuticals Limited (see note 14) and changed its registered office address. The integration of the companies is ongoing. Shire Pharmaceuticals Limited will merge with the company in April 2021.

During the year, turnover increased by 12% (2019: 21%) due to continued growth in key brands: Entyvio, Vipidia, Alunbrig, Ninlaro, Mepact and Condyline. Gross profit increased compared to last year, with an increase of 21% (2019: increase of 60%) due to product mix. Administrative expenses have increased by 11% which was driven by an increase in staff expenses, marketing costs and medical activities supporting the various brands. The profit for the financial year decreased by 3%. Net current assets increased by 17%.

The level of business and the year end financial position were in line with the directors expectations.

Section 172

The directors report here on how they have discharged their duties under Section 172 (1) of The Companies' Act 2006, to act in a way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to the matters set out in Section 172 (1) (a) – (f). Examples of how the Board approaches its decision making, in light of its obligations under Section 172, and ensuring wider stakeholder engagement, are set out below.

Following the acquisition of Shire Plc on 8 January 2019, Shire Plc is now part of the wider Takeda group (the "group"), a leading biopharmaceutical company bringing better health and a brighter future to people worldwide. The company embraces and promotes the group's culture and vision: to serve the needs of our patients, wherever they are, and to earn the trust of society and customers through "Takeda-ism". The culture and vision foster a strong regard for the key stakeholders of the company and provide a framework through which the directors can make key decisions that are most likely to promote the success of the company, fulfilling their duties under Section 172.

172 (1)(a) the likely consequences of any decision in the long term

The company's core strategic purpose is to promote the group vision and objectives (available here: <https://www.takeda.com/en-gb/who-we-are/corporate-philosophy/>), and in doing so deliver the commercial success of the UK business. The Board considers the long-term impact of corporate actions and decisions on this strategic purpose and on the interests of the members and the company's key stakeholders, through careful consideration of appropriate information, as provided by subject matter experts, to support decisions. Additionally, the company is subject to the Group Corporate Governance Policies, which the company has approved and adopted, that include a Business Review Committee and Risk, Ethics & Compliance Committee who will issue decisions on certain significant matters.

Since 8 January 2019, the company has been involved in the integration of Shire Plc entities into the group ("Integration Project") and continues to undertake activities and make decisions to facilitate the integration process with the aim of sustaining business momentum with minimal disruption.

Takeda UK Limited

Strategic report (continued) for the year ended 31 March 2020

Section 172 (continued)

172 (1)(b) the interests of the company's employees

The company is a responsible employer, focused on employee engagement and communication. It promotes a diverse and inclusive workforce and the continued development of its people in a safe working environment. The company benefits from and promotes the group employment and employee focussed initiatives. To achieve the group's vision of helping patients around the world, these initiatives seek to create an organisation that can fully leverage the group's diversity and unique culture, by endeavouring to attract and develop diverse global talents and provide an inclusive and empowering work environment for employees (more information available here: <https://www.takeda.com/corporate-responsibility/labor/>).

172 (1)(c) the need to foster the company's business relationships with suppliers, customers and others

In pursuit of the group's vision, the company and directors act with commitment to suppliers, customer and others. "Takeda-ism" guides the company and directors to act and make decisions by focusing on the four priorities of: putting the patient at the centre; building trust with society; reinforcing our reputation; and developing the business. This value framework is integral to the actions and decisions of the company.

As part of the company's procurement process, the company expects suppliers to adhere to applicable legal requirements and aspire to meet the expectations contained in Takeda's Suppliers Code of Conduct (the "Code of Conduct"). Suppliers are asked to review the Code of Conduct, and acknowledge receipt of the Code of Conduct as part of conducting business with the company.

172 (1)(d) the impact of the company's operations on the community and environment

The company is committed to leading the way in adopting and applying the highest standards of good governance, ethics and transparency in the industry. This includes collaborative work between healthcare professionals and commercial life sciences organisations, which has long been a positive driver for advancements in patient care and progression of innovative medicine. The company also participates in the group commitment to environmental sustainability, which comprises almost 50 years of engaging in environmental stewardship initiatives since establishing an Environmental Protection Committee in 1970. The group's approach to environmental sustainability, which is in line with the UN Sustainable Goals and the Science Based Targets initiative (SBTi), is part of its mission to strive towards Better Health and a Brighter Future for people worldwide.

172 (1)(e) the desirability of the company maintaining a reputation for high standards of business conduct

The company and the directors are guided by the group's vision and values when they act and make decisions, thereby maintaining a reputation for quality and integrity. This approach and the operational infrastructure of the business as a result ensure maintaining a reputation for high standard of business conduct is a key consideration by the directors when making key decisions.

Additionally, employees are subject to the Takeda Global Code of Conduct and the Takeda Ethics Line that is available to all employees around the world 24 hours a day where employees can ask a question or voice a concern (more information available here: <https://www.takeda.com/who-we-are/corporate-governance/global-ethics-compliance/>).

172 (1)(f) the need to act fairly as between members of the company

For the year under review, the company only had one member and in line with the group's Corporate Governance policies adopted by the company, ensured regular communication through various corporate reporting channels.

Takeda UK Limited

Strategic report (continued) for the year ended 31 March 2020

Key financial performance indicators

The local key performance indicator for the company is turnover which is discussed above.

The Takeda group has close involvement in the management of the company and has used a range of key performance indicators. These are discussed in the Takeda group's annual report and financial statements, which does not form part of this report, and is available from the address detailed in note 22.

Events after the balance sheet date

COVID-19 has impacted many businesses within the UK and globally. The Takeda UK management team review on an ongoing basis the impact this has on the UK business, in particular analysing all impacted parties that could affect revenue, supply and access restrictions. Close monitoring has allowed minimal impact in terms of products affected. There has been a small decline on some product lines due to less usage defaulting from reduced diagnosis of new patients, however other product lines have increased creating a net neutral impact to the financial plans set for FY20. Operational expenditure has reduced due to limitations on customer facing activities across the business.

Principal risks and uncertainties

The key business risks and uncertainties affecting the company are considered to relate to ongoing government regulation, control and approval, pricing and employee retention. Takeda group operations in Japan manage the risks discussed for all of its global locations closely and has strong relationships in the markets. These are discussed in the Takeda group's annual report and financial statements, which does not form part of this report, and is available from the address detailed in note 22.

As noted in the Events after the balance sheet date section, COVID-19 has impacted many businesses within the UK and globally, and the company continues to closely monitor the impact.

Brexit risk

The UK left the EU on 31 January 2020 and was in a transition period which ended on 31 December 2020, during which the UK and EU negotiated additional arrangements. The directors are continuing to consider and assess the impact on the company and are awaiting further clarity regarding exit terms and the wider regulatory and legal implications.

Takeda UK Limited

Strategic report (continued) for the year ended 31 March 2020

Financial risk management

The company's operations expose it to financial risks. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance. The company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company departments.

(i) Credit risk

The company has implemented policies that require appropriate credit checks on customers before sales are made.

(ii) Liquidity risk

The company currently has no requirement for debt finance, but maintains sufficient funds for operations through its membership of the Takeda group's in-house bank. As part of the Takeda group's in-house bank, the company has no external liquidity risk.

(iii) Currency risk

The company's principal transactions are in pound sterling, the functional currency, which mitigates against currency risk.

Future developments

The company anticipates continued increased revenue in future periods as a result of product launches from the past few years, as well as planned future product launches.

The company continues to closely monitor the impact of COVID-19.

By order of the Board

DocuSigned by:

Kentaro Shirahata

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K Shirahata

Director

Date: 12-Feb-2021 | 16:09 GMT

Takeda UK Limited

Directors' report for the year ended 31 March 2020

The directors present their report and the audited of the company for the year ended 31 March 2020.

Results and dividends

The company's results for the financial year are set out in the profit and loss account on page 12.

The directors do not recommend the payment of a dividend (2019: £Nil).

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared forecasts, which take into account reasonably possible downsides, for 12 months from the date of signature of these financial statements, which show that the company is expected to continue to generate positive cash flows on its own account for the foreseeable future. In preparing on this basis, the directors have considered the impact of COVID-19, which has not been significant both during the year ended 31 March 2020 and up to the date of approval of these financial statements, and concluded that material uncertainty related to this has been mitigated.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Directors

The directors who held office during the year and to the date of signing the financial statements, unless otherwise indicated, are as follows:

J Neal

A Varanavicius (resigned 16 March 2020)

W Walker (resigned 1 June 2019)

K Shirahata (appointed 27 June 2019)

N Insall (appointed 16 March 2020, resigned 30 November 2020)

M Gibbons (appointed 16 March 2020)

Stakeholder engagement

The directors of the company have acted in good faith to promote the success of the company for the benefit of its members as a whole. This includes creating strong relationships with its suppliers, customers, wholesalers and others to build a stronger network within the UK to provide a first class service by providing pharmaceutical products effectively around the UK.

Events after the balance sheet date

Details of events after the balance sheet date are set out in the Strategic report.

Future developments

An indication of the likely future developments of the company is provided in the Strategic report.

Qualifying third party indemnity provisions

A qualifying third party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, a directors' and officers' liability policy was maintained by the Takeda group throughout the financial year.

Takeda UK Limited

Directors' report (continued) for the year ended 31 March 2020

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the Board

DocuSigned by:

Kentaro Shirahata

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K Shirahata
Director

Date: 12-Feb-2021 | 16:09 GMT

Takeda UK Limited

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements for the year ended 31 March 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

Under a 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, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Takeda UK Limited

Opinion

We have audited the financial statements of Takeda UK Limited ("the company") for the year ended 31 March 2020 which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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

Strategic report and Directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

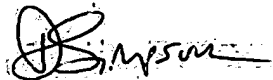
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

The purpose of our audit work and to whom we owe our responsibilities

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.



David Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Botanic House

100 Hills Road

Cambridge

CB2 1AR

Date: 15 February 2021

Takeda UK Limited

Profit and loss account for the year ended 31 March 2020

	Note	2020 £	2019 £
Turnover	5	203,289,598	180,822,494
Cost of sales		(154,637,071)	(140,531,079)
Gross profit		48,652,527	40,291,415
Administrative expenses		(46,912,830)	(42,423,963)
Other operating income	6	6,274,477	10,349,594
Operating profit	7	8,014,174	8,217,046
Interest receivable and similar income	10	7,446	12,115
Interest payable and similar charges	11	(237,154)	(203,217)
Profit before taxation		7,784,466	8,025,944
Tax on profit	12	(1,384,467)	(1,412,716)
Profit for the financial year		6,399,999	6,613,228

The notes on pages 15 to 30 are an integral part of these financial statements.

The company's results are derived from continuing activities.

The company has no other comprehensive income for the current and preceding financial year. Therefore no separate statement of comprehensive income has been presented.

Takeda UK Limited

Registered number: 03362860

**Balance sheet
as at 31 March 2020**

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	-	483,174
Investments	14	56,757,682	-
		<u>56,757,682</u>	<u>483,174</u>
Current assets			
Stocks	15	36,994,474	60,867,083
Debtors	16	118,832,495	101,365,248
		<u>155,826,969</u>	<u>162,232,331</u>
Creditors: amounts falling due within one year	17	(108,393,684)	(121,520,493)
Net current assets		<u>47,433,285</u>	<u>40,711,838</u>
Total assets less current liabilities		<u>104,190,967</u>	<u>41,195,012</u>
Provisions for liabilities			
Other provisions	19	(684,986)	(846,712)
		<u>(684,986)</u>	<u>(846,712)</u>
Net assets		<u>103,505,981</u>	<u>40,348,300</u>
Capital and reserves			
Called up share capital	20	50,000,001	50,000,000
Share premium account	20	56,757,681	-
Retained earnings		(3,251,701)	(9,651,700)
Shareholder's funds		<u>103,505,981</u>	<u>40,348,300</u>

The notes on pages 15 to 30 are an integral part of these financial statements.

The financial statements on pages 12 to 30 were approved and authorised for issue by the board of directors on 2021 and were signed on its behalf by:

DocuSigned by:

Kentaro Shirahata

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K Shirahata

Director

12-Feb-2021 | 16:09 GMT

Takeda UK Limited

Statement of changes in equity for the year ended 31 March 2020

	Called up share capital (see note 20)	Share premium account (see note 20)	Retained earnings	Total equity
	£	£	£	£
At 1 April 2019	50,000,000	-	(9,651,700)	40,348,300
Profit for the financial year, representing total comprehensive income	-	-	6,399,999	6,399,999
Shares issued during the year	1	56,757,681	-	56,757,682
At 31 March 2020	50,000,001	56,757,681	(3,251,701)	103,505,981

Statement of changes in equity for the year ended 31 March 2019

	Called up share capital (see note 20)	Retained earnings	Total equity
	£	£	£
At 1 April 2018	50,000,000	(16,264,928)	33,735,072
Profit for the financial year, representing total comprehensive income	-	6,613,228	6,613,228
At 31 March 2019	50,000,000	(9,651,700)	40,348,300

The notes on pages 15 to 30 are an integral part of these financial statements.

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

1. General information

The principal activity of Takeda UK Limited ('the company') is to distribute pharmaceutical products in the United Kingdom.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 1 Kingdom Street, London, United Kingdom, W2 6BD.

2. Statement of compliance

The individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

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 otherwise stated.

3.1 Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 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 4.

3.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared forecasts, which take into account reasonably possible downsides, for 12 months from the date of signature of these financial statements, which show that the company is expected to continue to generate positive cash flows on its own account for the foreseeable future. In preparing on this basis, the directors have considered the impact of COVID-19, which has not been significant both during the year ended 31 March 2020 and up to the date of approval of these financial statements, and concluded that material uncertainty related to this has been mitigated.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

3. Summary of significant accounting policies (continued)

3.3 Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- preparing a statement of cash flows;
- preparing certain financial instrument disclosures; and
- disclosure of key management personnel compensation.

The company has taken advantage of these exemptions on the basis that it meets the definition of a qualifying entity and its ultimate parent undertaking, Takeda Pharmaceutical Company Limited, includes the related disclosures in its own consolidated financial statements. Details of where those financial statements may be obtained can be found in note 22.

Other than the exemptions taken above, the company has applied the recognition, measurement and disclosure requirements of FRS 102.

3.4 Preparation of consolidated financial statements

The financial statements contain information about Takeda UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent undertaking, Takeda Pharmaceutical Company Limited.

Copies of the consolidated financial statements of Takeda Pharmaceutical Company Limited are available from the address in note 22.

3.5 Foreign currency

(i) Functional and presentational currency

The company's functional and presentational currency is the pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate at the dates of the transactions.

At each period-end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

3. Summary of significant accounting policies (continued)

3.6 Turnover recognition

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of turnover can be measured reliably and (d) it is probable that future economic benefits will flow to the entity.

3.7 Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension scheme.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(iii) Defined contribution pension scheme

The company operates a defined contribution scheme for its employees. A defined contribution scheme is a pension scheme under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the scheme are held separately from the company in independently administered funds.

3.8 Interest receivable / payable

Interest income is recognised using the effective interest rate method.

Interest payable is recognised in the profit and loss account in the year in which it is incurred.

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

3. Summary of significant accounting policies (continued)

3.9 Taxation

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

Current or deferred tax assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

3.10 Tangible fixed assets

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

Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, in equal installments over their estimated useful lives, and subject to impairment reviews, as follows:

Leasehold improvements	- period of the lease
Plant and machinery	- 10 to 20 years
Office equipment (including computer hardware and software)	- 3 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment at the year end, or when events or changes in circumstances indicate the carrying value may not be recoverable.

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

3. Summary of significant accounting policies (continued)

3.11 Operating leased assets

Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

3.12 Investments

Investments in subsidiary undertakings are carried at cost less accumulated impairment losses.

3.13 Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the profit and loss account.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

3.14 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials and amounts incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

3.15 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

Onerous lease provision

The provision for onerous lease represents rental obligations in respect of leased property no longer occupied by the company. The provision represents the residual lease commitments, net of income earned from sub-letting, discounted on a pre-tax basis.

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

3. Summary of significant accounting policies (continued)

3.16 Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade debtors and amounts owed by group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Basic debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

3. Summary of significant accounting policies (continued)

3.17 Share capital and share premium

Ordinary shares are classified as equity.

The share premium account records the amount above the nominal value received for shares issued, less transaction costs.

3.18 Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

3.19 Related party transactions

The company discloses transactions with related parties which are not wholly owned within the Takeda group. It does not disclose transactions with members of the Takeda group that are wholly owned, as permitted by FRS 102.33 Related Party Disclosures.

4. Critical accounting judgements and estimation uncertainty

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

(a) Critical judgements in applying the company's accounting policies

At 31 March 2020, the company did not make any critical judgements in applying its accounting policies.

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future such as the recoverability of stocks, recoverable value of trade debtors and the required provision for customer returns. The resulting accounting estimates will, by definition, seldom equal the related actual results.

At 31 March 2020, the company did not make any critical accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

5. Turnover

The company's turnover is derived from its principal activity, the distribution of pharmaceutical products. The company operated in one geographical segment, being the United Kingdom.

6. Other operating income

Other operating income principally represents a contribution to sales and marketing expenses from other affiliated entities within the Takeda Pharmaceutical Company group that own the intellectual property of the products being sold by the company.

	2020 £	2019 £
Income from profit share agreements	1,172,947	1,295,707
Marketing fees earned from group undertakings	5,101,530	9,053,887
	6,274,477	10,349,594

7. Operating profit

Operating profit is stated after charging:

	2020 £	2019 £
Operating lease charges	1,161,730	1,176,365
Depreciation of tangible fixed assets	130,727	176,307
Loss on disposal of tangible fixed assets	352,447	-
Auditor's remuneration:		
- fees payable for the audit of the company's financial statements	48,000	47,500
- other services	13,667	22,500

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	20,419,100	17,897,007
Social security costs	2,393,210	2,468,199
Other pension costs	1,047,130	870,012
	23,859,440	21,235,218

The average monthly number of employees, including executive directors, during the year was as follows:

	2020 No.	2019 No.
Marketing	47	56
Research and development	50	40
Administration	16	18
Sales	87	98
	200	212

9. Directors' remuneration

	2020 £	2019 £
Aggregate emoluments	428,908	292,919
Pension contributions	25,520	20,600
	454,428	313,519

The highest paid director received remuneration for qualifying services (excluding pension contributions) amounting to £428,908 (2019: £270,617). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £25,520 (2019: £20,600).

During the year, emoluments were paid to one director by the company. The notional cost of directors not remunerated through this company but borne by another group company has been considered and is not deemed to be significant.

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

10. Interest receivable and similar income

	2020 £	2019 £
Foreign exchange gain	3,523	6,341
Other interest receivable	3,923	5,774
	<u>7,446</u>	<u>12,115</u>

11. Interest payable and similar charges

	2020 £	2019 £
Foreign exchange loss	10,113	5,159
Other interest payable	227,041	198,058
	<u>237,154</u>	<u>203,217</u>

12. Tax on profit

	2020 £	2019 £
Corporation tax		
UK corporation tax on profits for the year	1,441,488	1,634,269
Adjustments in respect of prior periods	(157,061)	(120,497)
Total current tax	<u>1,284,427</u>	<u>1,513,772</u>
Deferred tax		
Origination and reversal of timing differences	4,429	(64,085)
Adjustments in respect of prior periods	120,053	(43,717)
Reduction in tax rate on deferred tax balances	(24,442)	6,746
Total deferred tax	<u>100,040</u>	<u>(101,056)</u>
Tax on profit	<u>1,384,467</u>	<u>1,412,716</u>

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

12. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit before taxation	7,784,466	8,025,944
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	1,479,049	1,524,929
Effects of:		
Expenses not deductible for tax purposes	34,574	45,255
Adjustments in respect of prior periods	(37,008)	(164,214)
Effect of group relief	(67,706)	
Reduction in tax rate on deferred tax balances	(24,442)	6,746
Total tax charge for the year	1,384,467	1,412,716

Factors that may affect future tax charges

In the March 2020 Budget, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

13. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Office equipment £	Total £
Cost				
At 1 April 2019	819,312	5,500	560,900	1,385,712
Disposals	(819,312)	(5,500)	(560,900)	(1,385,712)
At 31 March 2020	-	-	-	-
Depreciation				
At 1 April 2019	403,408	5,500	493,630	902,538
Charge for the year	80,871	-	49,856	130,727
Disposals	(484,279)	(5,500)	(543,486)	(1,033,265)
At 31 March 2020	-	-	-	-
Net book value				
At 31 March 2020	-	-	-	-
At 31 March 2019	415,904	-	67,270	483,174

During the year, all fixed assets were disposed of as a result of the company relocating its head office following a company reorganisation.

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

14. Fixed asset investments

	Subsidiary undertakings £
Cost	
At 1 April 2019	
Additions	56,757,682
At 31 March 2020	56,757,682
Net book value	
At 31 March 2020	56,757,682
At 31 March 2019	

On 17 February 2020, the company acquired 100% of the issued share capital of Shire Pharmaceuticals Limited, a company registered in the United Kingdom, for consideration of £56,757,682 (€67,510,000). The nature of the business of Shire Pharmaceuticals Limited is the manufacture and wholesale of pharmaceutical goods. The registered office address of Shire Pharmaceuticals Limited is 1 Kingdom Street, London, United Kingdom, W2 6BD.

At 31 March 2020, the company indirectly owned 100% of the issued share capital of the following companies:

Subsidiary undertakings	Nature of business
NPS Pharma UK Limited	Dormant
Shire Human Genetic Therapies UK Limited	Dormant
ViroPharma Limited	Dormant

The address of the registered office of each of the subsidiary undertakings is 1 Kingdom Street, London, United Kingdom, W2 6BD.

15. Stocks

	2020 £	2019 £
Finished stock and goods for resale	36,994,474	60,867,083

There is no material difference between the balance sheet value and the replacement cost of stocks.

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

16. Debtors

	2020 £	2019 £
Trade debtors	73,742,175	57,957,808
Amounts owed by group undertakings	42,145,415	41,339,397
Deferred tax asset (see note 18)	227,767	327,807
Prepayments and accrued income	2,717,138	1,740,236
	118,832,495	101,365,248

17. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	3,781,302	3,269,858
Amounts owed to group undertakings	48,185,376	75,462,459
Corporation tax payable	810,990	992,202
VAT payable	10,646,746	7,805,470
Other creditors, including taxation and social security	5,998,145	4,576,518
Accruals and deferred income	38,971,125	29,413,986
	108,393,684	121,520,493

18. Deferred tax

	£
At 1 April 2019	327,807
Charged to the profit and loss account	(100,040)
At 31 March 2020	227,767

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

18. Deferred tax (continued)

The deferred tax asset included in the balance sheet is as follows:

	2020 £	2019 £
Accelerated capital allowances	140,367	102,102
Other timing differences	87,400	225,705
	<u>227,767</u>	<u>327,807</u>

The deferred tax asset expected to reverse in the year ended 31 March 2021 is £227,767.

19. Other provisions

	Onerous lease £	Other £	Total £
At 1 April 2019	427,649	419,063	846,712
Additional provisions during the year	-	61,394	61,394
Utilised during the year	(223,120)	-	(223,120)
At 31 March 2020	<u>204,529</u>	<u>480,457</u>	<u>684,986</u>

A provision is being carried for the future property rental costs (net of estimated sublease income) of existing office space vacated following a company reorganisation. Management anticipates that this provision will be utilised over the remaining lease term of 2 years.

Other provisions relate to dilapidation accruals for rented offices and an incentive program for management personnel.

20. Called up share capital

	2020 £	2019 £
Allotted, called up and fully paid		
50,000,001 (2019: 50,000,000) ordinary shares of £1 each	<u>50,000,001</u>	<u>50,000,000</u>

On 17 February 2020, the company issued 1 ordinary share of £1 for consideration of £56,757,682 resulting in share premium of £56,757,681.

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Takeda UK Limited

Notes to the financial statements for the year ended 31 March 2020

21. Commitments under operating leases

At 31 March 2020, the company had future minimum lease payments under non-cancellable property operating leases for each of the following periods:

	2020 £	2019 £
Not later than one year	1,000,750	1,161,730
Later than one year and not later than five years	1,664,688	2,579,500
Later than five years	-	85,938
	2,665,438	3,827,168

At 31 March 2020, the company had future minimum sublease income, in respect of subleasing the vacant building described in note 19, under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than one year	438,648	480,648
Later than one year and not later than five years	341,049	779,697
	779,697	1,260,345

22. Immediate parent undertaking and ultimate parent undertaking

The immediate parent undertaking is Takeda Pharmaceuticals International AG, a company incorporated in Glattpark-Opfikon (Zurich), Switzerland. Takeda Pharmaceuticals International AG is the parent undertaking of the smallest group to consolidate these financial statements and copies of its financial statements can be obtained from its head office at Thurgauerstrasse 130, Glattpark-Opfikon (Zurich), 8152, Switzerland.

The ultimate parent undertaking and controlling party is Takeda Pharmaceutical Company Limited, a company incorporated in Osaka, Japan. Takeda Pharmaceutical Company Limited is the parent undertaking of the largest group to consolidate these financial statements and copies of its financial statements can be obtained from its head office at 4-1-1 Doshomachi, Chuoku, Osaka 540-8645, Japan.

23. Events after the balance sheet date

COVID-19 has impacted many businesses within the UK and globally. The Takeda UK management team review on an ongoing basis the impact this has on the UK business, in particular analysing all impacted parties that could affect revenue, supply and access restrictions. Close monitoring has allowed minimal impact in terms of products affected. There has been a small decline on some product lines due to less usage defaulting from reduced diagnosis of new patients, however other product lines have increased creating a net neutral impact to the financial plans set for FY20. Operational expenditure has reduced due to limitations on customer facing activities across the business.