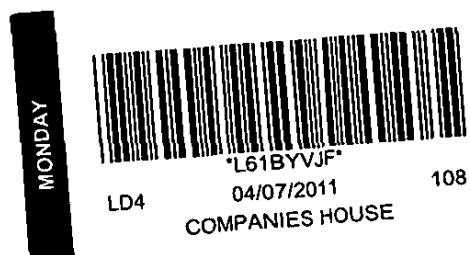


Takeda Cambridge Limited

**Directors' report and financial
statements**

Registered number 3585995

31 March 2011



Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditors' report to the members of Takeda Cambridge Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their report and financial statements for the year ended 31 March 2011

Principal activities and business review

The Company has established world class target identification and validation capabilities based on gene knock out technology and in vivo pharmacology along with key medicinal chemistry skills. The Company focuses on the identification of novel, small molecule tractable targets with defined therapeutic utility with key gene families such as G-protein coupled receptors (GPCRs), ion channels and proteases. The Company has developed a drug discovery pipeline comprising targets and late stage pre-clinical projects in key areas of unmet medical need in pain, CNS disorders, and metabolic diseases such as diabetes, hyperlipidemias and obesity.

The Company operates by way of a contract research agreement with Takeda Pharmaceutical Company Limited, the ultimate parent company, incorporated in Japan and listed on the Tokyo Stock Exchange.

The results for the year show a profit before taxation of £2,251,337 (2010 £1,815,338) and turnover of £30,807,948 (2010 £31,244,286). The directors do not recommend the payment of a dividend (2010 £nil).

Research and development

During the year the Company spent £nil (2010 £nil) on research and development as all expenditure is classified as cost of sales under the contract research agreement.

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks. The key business risks are set out below. The Board takes an active role in monitoring and mitigating these risks.

Financing

The Company is reliant on the continued financial support of its ultimate parent company Takeda Pharmaceutical Company Limited.

Early stage research

Early stage research and pre-clinical drug development is inherently risky with a significant proportion of programmes likely to fail. The Company mitigates this risk by having a wide portfolio of early stage drug targets in several different therapeutic areas.

Employees

The Company's performance depends largely on its staff. The resignation of key individuals and the inability to recruit people with the right experience and skills could adversely impact the Company's progress. The Company offers a dynamic and fast paced working environment, where creative thinking is encouraged and results rewarded with competitive remuneration packages. Comprehensive training is provided to all staff and further study is encouraged.

Directors' report *(continued)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, as far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Key performance indicators (KPIs)

As a wholly owned subsidiary of Takeda Pharmaceutical Company Limited the Company is focussed on developing intellectual property for the benefit of the group and as such does not focus on financial KPI's

A key factor in achieving this is employee retention. The Company values its employees and offers career opportunities for enthusiastic scientists with skills in areas of drug discovery ranging from genomics to medicinal chemistry and pre-clinical studies. All staff are properly trained and further study is encouraged.

Directors

The directors who served during the year are as follows

Dr Hiroyuki Odaka

Dr Mark Carlton

Dr Yuji Ishihara

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



James Sutcliffe
Company Secretary

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

KPMG LLP

37 Hills Road
Cambridge
CB2 1XL

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

We have audited the financial statements of Takeda Cambridge Limited for the year ended 31 March 2011 set out on pages 5 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

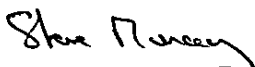
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Steve Muncey
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Date 17 June 2011

Profit and loss account
for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Turnover	2	30,807,948	31,244,286
Cost of sales		(28,697,297)	(29,552,069)
Gross profit		2,110,651	1,692,217
Net operating expenses	3	-	-
Operating profit		2,110,651	1,692,217
Interest receivable and similar income	4	140,686	123,121
Profit on ordinary activities before taxation	5	2,251,337	1,815,338
Tax on profit on ordinary activities	8	322,752	261,375
Profit for the financial year		2,574,089	2,076,713

Other than the profit for the year there are no other recognised gains or losses

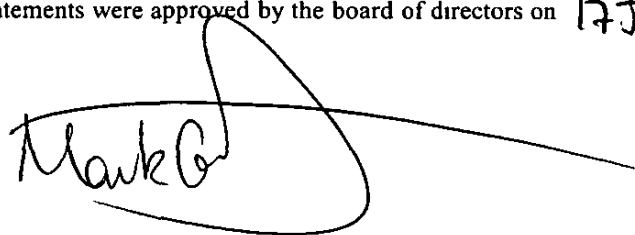
All results for the year relate to continuing activities

Balance sheet
as at 31 March 2011

	Note	31 March 2011 £	31 March 2010 £
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	5,369,703	5,442,708
Investments	11	1,019,231	1,019,231
		<u>6,388,934</u>	<u>6,461,939</u>
Current assets			
Debtors	12	24,888,253	22,589,667
Cash at bank and in hand		2,095,527	1,638,443
		<u>26,983,780</u>	<u>24,228,110</u>
Creditors: amounts falling due within one year	13	<u>(4,987,063)</u>	<u>(4,816,619)</u>
Net current assets		<u>21,996,717</u>	<u>19,411,491</u>
Total assets less current liabilities		<u>28,385,651</u>	<u>25,873,430</u>
Creditors: amounts falling due after more than one year	14	<u>(1,102,464)</u>	<u>(1,127,464)</u>
Provision for liabilities and charges	15	<u>(1,131,424)</u>	<u>(1,168,292)</u>
Net assets		<u>26,151,763</u>	<u>23,577,674</u>
Capital and reserves			
Called up share capital	16	2,938,981	2,938,981
Share premium account	17	34,199,177	34,199,177
Capital redemption reserve	17	3,850	3,850
Profit and loss account	17	(10,990,245)	(13,564,334)
Shareholders' funds	18	<u>26,151,763</u>	<u>23,577,674</u>

These financial statements were approved by the board of directors on 17 JUNE 2011 and were signed on its behalf by

Mark Carlton
Director



Company Registration No 3585995

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been reviewed by the board of directors in accordance with Financial Reporting Standard ("FRS") 18, 'Accounting Policies', and have been applied consistently, is set out below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirements to prepare group financial statements due to being included in the parent undertaking's consolidated financial statements.

As the Company is a wholly owned subsidiary of Takeda Europe Holdings BV, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the Company qualifying as related parties). The consolidated financial statements of Takeda Europe Holdings BV, within which this Company is included, can be obtained from the address given in note 21.

Going concern

The directors have considered the future projected cash flows and financial position along with the Company's current liquidity in forming their opinion on the going concern basis. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided so as to write off the cost of tangible fixed assets on a straight line basis over their estimated useful lives at the following rates:

Computer equipment	3 years
Laboratory equipment	3 years
Fixtures and fittings	5 years
Leasehold Improvements	Remaining life of lease

Intangible assets – intellectual property

Intellectual property rights purchased by the Company are included at cost and amortised on a straight line basis over their estimated useful economic life of three years. Provision is made for any impairment.

Notes (continued)

1 Accounting policies (continued)

Investments

The Company's investments in its subsidiary undertakings are stated at the nominal value of shares issued plus the value of any other consideration and the expenses of acquisition

Revenue recognition

Turnover consists of income received arising in the normal course of business from a contract research agreement Turnover is stated net of VAT and other sales related taxes and is recognised as the relevant rechargeable expenses are incurred

Deferred taxation

Provision is made for deferred taxation, in accordance with FRS 19, 'Deferred Tax' on all material timing differences Deferred tax assets are recognised to the extent that they are regarded as recoverable Deferred tax assets and liabilities are not discounted

Pension costs

The Company operates a company personal pension plan The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year The difference between contributions payable and contributions actually paid are shown as a prepayment or an accrual in the balance sheet

Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term, even if the payments are not made on such a basis

Research and development

Research and development expenditure is written off as incurred

Notes (continued)

1 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

2 Analysis of turnover

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Turnover by destination		
Japan	30,807,948	31,244,286

3 Net operating expenses

All operating expenses are classified as cost of sales under the contract research agreement.

4 Interest receivable and similar income

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Bank interest receivable	20,073	13,630
Interest on short term loan receivable from Parent undertaking	120,613	109,491
	<u>140,686</u>	<u>123,121</u>

Notes (continued)

5 Profit on ordinary activities before taxation

Operating profit is stated after charging

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Depreciation of tangible fixed assets		
- owned assets	2,651,618	2,291,474
Loss on disposal of tangible fixed assets	-	6,041
Operating lease rentals		
- land and buildings	1,506,500	1,538,000
Losses on foreign exchange transactions	229,478	284,631
	<u> </u>	<u> </u>

Auditors' remuneration

- fees payable to the Company's auditor for the audit of the Company's annual accounts	24,500	24,000
	<u> </u>	<u> </u>

Amounts receivable by the auditors and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Takeda Pharmaceuticals Company Limited

6 Employee information

In the year ended 31 March 2011 the average monthly number of employees (including executive directors) was as shown below

	Year ended 31 March 2011 Number	Year ended 31 March 2010 Number
Research	87	92
Administration	9	9
	<u> </u>	<u> </u>
	96	101
	<u> </u>	<u> </u>

The aggregate remuneration of the above persons comprised

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Wages and salaries	4,576,578	4,394,951
Social security costs	505,354	441,218
Pension costs	356,251	345,299
	<u> </u>	<u> </u>
	5,438,183	5,181,468
	<u> </u>	<u> </u>

Notes *(continued)*

7 Director's remuneration

The total amounts for directors' remuneration were as follows

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Aggregate emoluments	208,732	115,387
Contributions to defined contribution pension scheme	20,655	12,021
	<u>229,387</u>	<u>127,408</u>

At 31 March 2011 two directors of the Company are remunerated by another Group company (*2010 two*) At 31 March 2011 one director was a member of the Company's personal pension plan (*2010 one*)

The above amounts also represent the remuneration for the highest paid director

Notes (continued)

8 Tax on profit on ordinary activities

Analysis of credit in year

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Current tax		
UK corporation tax	(138,884)	-
Adjustment in respect of prior years	(147,000)	(1,087,667)
Total current tax	(285,884)	(1,087,667)
Deferred tax		
Origination/reversal of timing differences	(36,868)	826,292
Tax credit on profit on ordinary activities	(322,752)	(261,375)

Factors affecting the tax charge for the year

The tax credit for the year is lower (2010 lower) than the standard rate of corporation tax in the UK of 28% (2010 28%) The differences are explained as follows

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Profit on ordinary activities before taxation	2,251,337	1,815,338
Current tax at 28% (2010 28%)	630,374	508,295
Effects of		
Expenses adjusted for tax purposes	9,800	9,800
Difference between capital allowances and depreciation	(50,770)	39,645
Other short term timing differences	-	(20,334)
Allowances for research and development expenditure	(728,288)	(672,779)
Tax losses carried forward	-	135,373
Adjustments to tax provision in respect of prior years (surrender of group relief)	(147,000)	(1,087,667)
Total current tax credit	(285,884)	(1,087,667)

Factors that may affect future tax charges

The future tax charge will be affected inter alia by utilisation of capital allowances and other timing differences

The UK government has also announced an intention to reduce Corporation Tax rates to 23% by 1 April 2014 The first reduction to 26% has been enacted and has resulted in a reduction of recognised deferred tax balances in the current year of £87,032 and unrecognised deferred tax balances of £307,517 The group will benefit from lower taxes on its profits as Corporation Tax rates fall but this will be offset by a reduction in the value of the group's deferred tax asset

Notes (continued)

9 Intangible fixed assets

	Intellectual property £
<i>Cost</i>	
At 1 April 2010 and 31 March 2011	608,326
<i>Amortisation</i>	
At 1 April 2010 and 31 March 2011	<u>608,326</u>
Net book value	
At 31 March 2011	<u>-</u>
At 31 March 2010	<u>-</u>

10 Tangible fixed assets

	Computer equipment £	Laboratory equipment £	Fixtures and fittings £	Leasehold improvement £	Total £
<i>Cost</i>					
At 1 April 2010	173,809	7,576,220	130,891	2,118,598	9,999,518
Additions	47,416	2,264,096	24,900	242,201	2,578,613
Disposals	(4,722)	(18,686)	-	-	(23,408)
At 31 March 2011	<u>216,503</u>	<u>9,821,630</u>	<u>155,791</u>	<u>2,360,799</u>	<u>12,554,723</u>
<i>Depreciation</i>					
At 1 April 2010	79,524	4,019,395	71,531	386,360	4,556,810
Charge in year	58,967	2,253,018	27,910	311,723	2,651,618
Disposals	(4,722)	(18,686)	-	-	(23,408)
At 31 March 2011	<u>133,769</u>	<u>6,253,727</u>	<u>99,441</u>	<u>698,083</u>	<u>7,185,020</u>
Net book value					
At 31 March 2011	<u>82,734</u>	<u>3,567,903</u>	<u>56,350</u>	<u>1,662,716</u>	<u>5,369,703</u>
At 1 April 2010	<u>94,285</u>	<u>3,556,825</u>	<u>59,360</u>	<u>1,732,238</u>	<u>5,442,708</u>

Notes (continued)

11 Fixed asset investments

£

Shares in subsidiary undertakings at cost

At 1 April 2010 and 31 March 2011

1,019,231

At 31 March 2011 the Company held the following investments in subsidiaries

Name of undertaking	Country of incorporation	Principal activity	Proportion of voting rights held
Takeda Singapore PTE Limited	Singapore	Research and development into the discovery and validation of novel human drug targets	100%
Paradigm Therapeutics Limited	United Kingdom	Non-trading	100%

12 Debtors

	31 March 2011 £	31 March 2010 £
Amounts due from group undertakings	6,781,542	5,341,049
Short term loan receivable from Parent undertaking	16,535,736	15,425,780
Corporation tax receivable	-	11,507
Other debtors	590,406	606,621
Prepayments and accrued income	980,569	1,204,710
	<u>24,888,253</u>	<u>22,589,667</u>

13 Creditors: amounts falling due within one year

	31 March 2011 £	31 March 2010 £
Trade creditors	953,438	1,614,109
Amounts due to group undertakings	2,082,528	1,896,794
Taxation and social security	116,562	130,422
Other creditors	50,554	51,021
Accruals and deferred income	1,783,981	1,124,273
	<u>4,987,063</u>	<u>4,816,619</u>

Notes (continued)

14 Creditors: amounts falling due after more than one year

	31 March 2011 £	31 March 2010 £
Other creditors	100,000	125,000
Amounts due to subsidiary undertakings	1,002,464	1,002,464
	<u>1,102,464</u>	<u>1,127,464</u>

15 Provision for liabilities and charges

Deferred taxation

	£
At 1 April 2010	1,168,292
Credit to the profit and loss account for the year	(36,868)
	<u>1,131,424</u>
At 31 March 2011	<u>1,131,424</u>

The elements of deferred taxation are as follows

	Amount provided 31 March 2011 £	Amount unprovided 31 March 2011 £	Amount provided 31 March 2010 £	Amount unprovided 31 March 2010 £
Excess of capital allowances over depreciation	(1,131,424)	-	(1,168,292)	-
Losses carried forward	-	3,984,455	-	4,426,325
Other	-	13,265	-	14,286
	<u>(1,131,424)</u>	<u>3,997,720</u>	<u>(1,168,292)</u>	<u>4,440,611</u>

Deferred tax has been calculated at 26% (2010 28%), the standard rate of corporation tax in the UK at which any potential assets or liabilities are expected to crystallise. Deferred tax assets have not been recognised due to the uncertainty of their recoverability in the foreseeable future.

At 31 March 2011, losses that have been carried forward amount to £15.3m (2010 £15.8m), subject to agreement with HMRC.

Notes (continued)

16 Called up share capital

	31 March 2011 £	31 March 2010 £
Allotted, called up and fully paid		
1,322,500 ordinary shares of 10p each	132,250	132,250
12,231,133 'B' ordinary shares of 10p each	1,223,113	1,223,113
3,133,472 'C' ordinary shares of 10p each	313,347	313,347
2,702,702 'D' ordinary shares of 10p each	270,271	270,271
10,000,000 'E' ordinary shares of 10p	1,000,000	1,000,000
	<u>2,938,981</u>	<u>2,938,981</u>

The ordinary shares, 'B' ordinary shares, 'C' ordinary shares, 'D' Ordinary shares and 'E' ordinary shares rank *pari passu* with respect to the rights to receive dividends and voting rights. The 'B' ordinary shares, 'C' ordinary shares, 'D' Ordinary shares and 'E' Ordinary shares may, at the option of the holders of these shares, be converted at any time into ordinary shares on a one-for-one basis.

17 Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £
At 1 April 2010	34,199,177	3,850	(13,564,334)
Profit for the financial year	-	-	2,574,089
	<u>34,199,177</u>	<u>3,850</u>	<u>(10,990,245)</u>
At 31 March 2011	<u>34,199,177</u>	<u>3,850</u>	<u>(10,990,245)</u>

18 Reconciliation of movements in shareholders' funds

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Profit for the financial year	2,574,089	2,076,713
Net increase in shareholders' funds	2,574,089	2,076,713
Opening shareholders' funds	23,577,674	21,500,961
Closing shareholders' funds	<u>26,151,763</u>	<u>23,577,674</u>

Notes (continued)

19 Financial commitments

At 31 March 2011 the Company had annual commitments under non-cancellable operating leases for land and buildings as follows

	31 March 2011 £	31 March 2010 £
Expiring within one year	-	-
Expiring between two and five years	1,506,500	-
After five years	-	1,506,500
	<u>1,506,500</u>	<u>1,506,500</u>

20 Pension costs

The Company operates a company personal pension plan. During the year contributions of £356,251 (2010 £345,299) were made and at the balance sheet date contributions of £50,473 (2010 £51,020) were outstanding.

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a subsidiary undertaking of Takeda Pharmaceutical Company Limited which is the ultimate parent company, incorporated in Japan. The immediate parent undertaking is Takeda Europe Holdings BV, incorporated in the Netherlands.

The largest group in which the results of the Company are consolidated is that headed by Takeda Pharmaceutical Company. The smallest group in which they are consolidated is that headed by Takeda Europe Holdings BV, incorporated in the Netherlands. The consolidated financial statements of Takeda Europe Holdings BV can be obtained from WTC Amsterdam A-12, Strawinskylaan 1217, 1077 XX Amsterdam, Netherlands.