

Seqirus Vaccines Limited

Annual report and financial statements

30 June 2019

Registered number 3970089



Seqirus Vaccines Limited

Report for the year ended 30 June 2019

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Seqirus Vaccines Limited

Directors and advisors

Directors

Stephen Michael Marlow	
John Andrew Goodman Levy	
Laura Elizabeth O'Brien	(resigned 30 November 2018)
Kian Meng Lim	
Nigel Charles Hilton	(appointed 01 April 2019)
James Edward Smith	(appointed 04 December 2019)

Company secretary

Martin Thomas Quinn	(resigned 02 July 2019)
John Andrew Goodman Levy	(resigned 30 June 2019)
Kian Meng Lim	(appointed 27 November 2019)
Virginie Didier	(appointed 27 November 2019)

Registered office

Point
29 Market Street
Maidenhead
Berkshire
SL6 8AA

Independent auditors

Ernst and Young LLP
2 St Peter's Square
Manchester
M2 3EY

Seqirus Vaccines Limited

Strategic report

The directors present their strategic report for the year ended 30 June 2019.

These financial statements cover the year to 30 June 2019, with the comparatives for the year ended 30 June 2018.

Business model and principal activities

The principal activity of the company is the manufacture and sale of influenza vaccines which are sold to another group entity. The influenza vaccines that the company manufactures are formulated and filled at third party companies. To reduce the Seqirus Group's reliance on third parties the Company is currently investing in its own formulation and fill capacity at its Liverpool site. The company's own product is sold to an associated company within the UK.

Review of the business

The company's main business continued to be the manufacture and supply of trivalent influenza vaccines. All of the Company's production is sold to an associated group company.

The Company's contract with the UK government to manufacture influenza vaccines in the case of influenza pandemics were transferred to an associated UK group Company during FY18 and the Company has not recognised any revenue in relation to these contracts during 2018 or 2019.

The Company made a profit of £8,700,000 in the year ended 30 June 2019 (2018: £24,700,000).

Results and dividends

The profit for the period was £8,700,000 (2018: £24,700,000). The board did not recommend or pay any dividend (2018: £nil).

Position at year end

The company has net assets at 30 June 2019 of £229,600,000 (2018: £220,900,000).

Research and development

The company performs technical development of vaccines to increase their potency.

Seqirus Vaccines Limited

Strategic report (continued)

Key performance indicators (KPIs)

The company's key performance indicators in the year were:

	2019 £m	2018 £m	Change %
Revenue	103.2	170.0	-29%
Operating Profit	10.9	30.5	-64%
Current assets as a % of current liabilities	281%	259%	22%

Revenue has reduced in the year due to the change in business model where all products are sold to an associated group company at a pre-determined transfer price. This will be the business model going forward and as this model becomes more established, it is expected that this KPI will become less volatile.

The operating profit has reduced by 64% largely due to the decline in the gross profit but also contributed by a decrease of £3.9m in admin expenses year on year. This reflects the maturity of the business model and more of the administrative expenses which are not directly related to manufacturing are now being borne by the Central Entrepreneur.

The quick ratio (current assets as a % of current liabilities) has increased. There has been an increase in current assets of £1.7m overall year on year which is largely due to an increase in inventory of £19.1m which reflects differences in the timing of the manufacturing process this year versus last year. In addition to this increase in inventory, we have also seen a decrease in trade receivables (which includes intragroup receivables) of £15.2m. This is due to balances being settled by other affiliate companies to ensure sufficient operational cash flow. The significant decrease in current liabilities which also contributes to an increase in the quick ratio is in current tax liabilities (decrease of £3.3m) which reflects the reduced profit before tax of the company in the current year.

Principal risk and uncertainties

The key business risks affecting the company, other than those set out in the review of the business in this report, are set out in note 3 to the financial statements.

Directors and senior managers

At 30 June 2019 the company had 3 directors (2018: 4 directors).

On behalf of the board



Kian Meng Lim
Director

Date: 25 JUNE 2020

Seqirus Vaccines Limited

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 30 June 2019. These financial statements are prepared under United Kingdom Generally Accepted Accounting Practice.

Domicile, form and country of incorporation

The company was incorporated in and has its domicile in England and is a limited company. The immediate parent is Seqirus Vaccines Holdings Limited and the ultimate parent is CSL Limited, a company incorporated in Australia.

Directors

The directors of the company during the year ended 30 June 2019 are fully disclosed within Directors and advisors on Page 2.

The company maintains liability insurance for its directors and officers. Following shareholder approval in July 2005, the company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Two of the directors received remuneration for their services as a director of the company during the year to 30 June 2019 (2018: one). This is disclosed in note 5.

Company secretary

The Company secretaries during the year to 30 June 2019 are fully disclosed within Directors and advisors on Page 2.

Charitable and political donations

It is the company's policy not to make donations to any political organisations. Contributions were made to national and local charitable organisations as detailed below:

	30 June 2019	30 June 2018
Organisation	£	£
Others < £5,000 each	5,750	-
Total	5,750	-

Seqirus Vaccines Limited

Directors' report (continued)

Dividends

The company paid a dividend of £nil (2018: £nil) to its immediate parent company, Seqirus Vaccines Holdings Limited, during the year.

Employees

The directors maintain the provision of information to and consultation with employees by means of regular and ad hoc meetings of management and employees. The company also provides information using email for employee briefs and the company's area of the Seqirus Group website. The company encourages the involvement in the company's performance through its bonus schemes and employee share schemes. The company ensures that it offers equal opportunity to disabled employees.

The company gives full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities and wherever possible the company continues the employment of, and arranges for the appropriate training of, employees who become disabled persons whilst employed by the company. Disabled employees are treated no differently from other employees as regards training, career development and promotion opportunities. This policy was operated by the company, where appropriate, throughout the year.

Future developments

The Company is expected to continue to manufacture and sell flu vaccines for the foreseeable future. The principal risks and uncertainties of the Company have been noted in the Strategic report.

Going concern

The directors' have prepared the financial statements on a going concern basis as the Company is profitable, has a strong balance sheet and is expected to continue to be profitable for the foreseeable future. The company has received a letter of support from the Company's ultimate parent company, CSL Limited.

The letter confirms ongoing support for 12 months from the date of approval of the financial statements. The Company is profitable, has a strong balance sheet and is expected to continue to be profitable for the foreseeable future. The Directors have satisfied themselves that CSL Limited has the ability to provide this support to the Company should it be required.

The Seqirus Group continues to monitor the Covid-19 situation as it develops. All the necessary steps are being taken to protect the ongoing supply of product and our people.

Seqirus Vaccines Limited

Directors' report (continued)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In the case of each of the persons who were directors of the company at the date when this report is approved:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of this information.

Seqirus Vaccines Limited

Directors' report (continued)

Independent auditors

A resolution concerning the re-appointment of the Company's auditors, Ernst & Young LLP, will be proposed at the Annual General Meeting.

On behalf of the board



Kian Meng Lim
Director

Date: 25 June 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEQIRUS VACCINES LIMITED

Opinion

We have audited the financial statements of Seqirus Vaccines Limited for the year ended 30 June 2019 which comprise the Income Statement, the Balance Sheet, the Statement of Total Comprehensive income, the Statement of changes in equity and the related notes 1 to 24, 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 30 June 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.

Emphasis of Matter – Disclosures in relation to the impact of COVID-19

We draw attention to Note 1.17 and 24 of the financial statements, which describe the financial and operational disruption the company is facing as a result of COVID-19 which is impacting supply chains, consumer demand, personnel available for work and being able to access offices. Our opinion is not modified in respect of this matter.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEQIRUS VACCINES LIMITED (continued)

Other information

The other information comprises the information included in the annual report set out on pages 3 to 8, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5 to 8, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEQIRUS VACCINES LIMITED (continued)

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.

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.

Alistair Denton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Manchester

Date:

Seqirus Vaccines Limited

Income Statement for the year ended 30 June 2019

	Note	June 2019 £m	June 2018 £m
Revenue	4	103.2	170.0
Cost of sales		(90.6)	(134.5)
Gross profit		12.8	35.5
Research and development expenses		-	0.6
Administrative expenses		(1.7)	(5.6)
Operating profit		10.9	30.5
Research and development income		0.2	-
Finance income	6	-	0.1
Other income		0.2	0.1
Profit before income tax		11.1	30.6
Income tax expense	7	(2.4)	(5.9)
Profit for the period		8.7	24.7
Attributable to:			
Owners of the company		8.7	24.7

All results relate to continuing operations.

Statement of total comprehensive income for the year ended 30 June 2019

The Company has no recognised gains and losses other than those included in the results above.

The accompanying notes on pages 15 to 33 form an integral part of the financial statements.

Seqirus Vaccines Limited

Balance sheet as at 30 June 2019

	Note	2019 £m	2018 £m
Assets			
Non-current assets			
Property, plant and equipment	9	126.6	122.3
Intangible assets	8	-	1.3
		126.6	123.6
Current assets			
Inventories	10	36.0	16.9
Trade and other receivables	11	134.8	150.0
Cash and cash equivalents	12	0.7	2.9
		171.5	169.8
Total assets		298.1	293.4
Equity			
Capital and reserves attributable to equity owners of the company			
Share capital	16	-	-
Share premium		68.7	68.7
Retained earnings		160.9	152.2
Total equity		229.6	220.9
Liabilities			
Non-current liabilities			
Share based payment accruals		-	0.2
Deferred income tax liabilities	18	7.3	6.6
Provisions for other liabilities and charges	15	-	0.1
		7.3	6.9
Current liabilities			
Trade and other payables	13	59.7	60.6
Current income tax liabilities		1.4	4.7
Deferred income	14	-	0.1
Provisions for other liabilities and charges	15	0.1	0.2
Total current liabilities		61.2	65.6
Total liabilities		68.5	72.5
Total equity and liabilities		298.1	293.4

Registered no. 3970089

The financial statements on pages 12 to 33 were approved by the board of directors and were signed on its behalf by:



Kian Meng Lim
Director

Date: 25 June 2020

Seqirus Vaccines Limited

Statement of changes in equity for the year ended 30 June 2019

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
At 1 July 2017	-	68.7	127.5	196.2
Profit for the year and total comprehensive income	-	-	24.7	24.7
At 30 June 2018	-	68.7	152.2	220.9
At 1 July 2018	-	68.7	152.2	220.9
Profit for the year and total comprehensive income	-	-	8.7	8.7
At 30 June 2019	-	68.7	160.9	229.6

The accompanying notes on pages 15 to 33 form an integral part of the financial statements.

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019

1 Principal accounting policies

The principal accounting policies adopted 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. The financial statements have been prepared on a going concern basis.

1.1 Basis of preparation

Seqirus Vaccines Limited is a private limited liability company incorporated in England. Its registered office is Point, 29 Market Street, Maidenhead, Berkshire, SL6 8AA. The company's immediate parent company is Seqirus Vaccines Holdings Limited, a company incorporated in England while its ultimate parent company is CSL Limited, a company incorporated in Australia.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework (FRS 101)' and the Companies Act 2006. The Company's financial statements are presented in pound sterling which is the functional currency of the Company.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The Company applied IFRS15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments for the first time. The adoption of these new accounting standards had no material impact on these financial statements.

In the next year IFRS 16 Leases will be effective. There are some small property leases in the Company and therefore it is expected that there will be no material impact of this new standard.

Financial Reporting Standard 101 – reduced disclosure exemptions

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

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 statement of Cash Flows
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- 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
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

1 Principal accounting policies (continued)

1.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities primarily the sale of flu vaccines. Revenue is shown net of value added tax, vaccines insurance tax, returns, rebates and discounts.

The company recognises revenue when the amount of the revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results and information from its customers, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

1.3 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

1.4 Foreign currency translation

The functional and presentation currency of the Company is sterling.

Foreign currency transactions during the year are translated into sterling at the rates of exchange in force at the time they arise.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Translation differences are taken to the income statement.

1.5 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

1.6 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

1 Principal accounting policies (continued)

1.6 Deferred income tax (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

1.7 Employee benefits

(a) Pension obligations

The company has a defined contribution plan. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group

has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Share-based compensation

The company's ultimate parent, CSL Limited, operated an equity settled share-based compensation plan under which the company received services from employees as consideration for equity instruments (options). The fair value of the employees services received in exchange for the grant of the option is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revised its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement. The charge to the income statement during the period was £nil (2018: £nil). As these amounts are not material no further disclosures are made in respect of share-based compensation.

The Company's ultimate parent, CSL Limited, also operates a "share matching" compensation plan under which the company receives services from employees as consideration for equity shares.

The plan is available for all employees of the Company. Under the plan the company matches a proportion of CSL Limited shares that an employee purchases. The charge to the income statement during the period was £0.1m (2018: £0.3m). As these amounts are not material no further disclosures are made in respect of share-based compensation.

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

1 Principal accounting policies (continued)

1.7 Employee benefits (continued)

c) Termination benefits

Termination benefits may be payable when employment is terminated by the company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

d) Profit-sharing and bonus plans

The company recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments and other performance criteria, which may not be restricted solely to the achievement of financial measures.

1.8 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise costs associated with employee terminations.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The carrying value of inventory is continually assessed against a number of criteria, including quality standards, expiry dates and sales demand forecasts. Provisions are created to reduce the carrying value when it becomes likely that one of the assessment criteria may not be met.

1.10 Grants

Grants for capital expenditure are deferred and released to revenue over the expected useful life of the relevant asset by equal annual amounts. Grants for revenue expenditure are credited to revenue in the same period in which the revenue expenditure to which they relate is charged.

1.11 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

1 Principal accounting policies (continued)

1.11 Property, plant and equipment (continued)

Interest is capitalised as part of the cost of an asset when the asset purchases are funded by means of interest bearing borrowings.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Freehold buildings	25 – 40 years
Leasehold land and buildings	Term of lease
Leasehold improvements	Term of lease
Plant, equipment and machinery	3 – 20 years
Computer equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the income statement.

Impairment is assessed as and when the company deems there has been a significant event that would affect the asset values.

1.12 Related parties

The company is a wholly owned subsidiary of CSL Limited, a company incorporated in Australia.

All intra group and other related party disclosures as required under IAS 24 are included in note 17.

1.13 Interest costs

Interest costs are expensed directly in the income statement and are recognised in the year the costs are incurred on an effective interest basis, excluding interest costs capitalised as fixed assets.

1.14 Share capital

Ordinary shares are classified as equity.

1.15 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairments.

1.16 Payables

Payables are recognised at book value which approximates to their fair value given short maturity.

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

1.17 Going Concern

Seqirus Vaccines Limited has prepared the financial statements on a going concern basis. Seqirus Vaccines Limited is manufacturing entity in the wider Seqirus Influenza Business. The Company has material net current assets and has traded profitably in the current and preceding period. The directors have considered the Seqirus Group 10 year forecast model which shows considerable growth and continuing net profit after tax over the short, medium and long term. The directors are comfortable that the trend of improving financial performance will continue into the future.

Seqirus Vaccines Limited has received a letter of support from the Company's ultimate parent company, CSL Limited. The letter confirms ongoing support for 12 months from the date of approval of these financial statements. The Company is profitable, has a strong balance sheet and is expected to continue to be profitable for the foreseeable future. The Directors have satisfied themselves that CSL Limited has the ability to provide this support to the Company should it be required.

The Seqirus Group continues to monitor the Covid-19 situation as it develops. All the necessary steps are being taken to protect the ongoing supply of product and our people.

2 Judgements in applying accounting policies 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 the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

3 Risk management

The key business risks affecting the company are set out below:

Competitive risks

The company does not have a specific competitive risk due to its role as a limited risk distributor as part of the wider Seqirus Group, however the group is reliant on several fixed term contracts with US distributors for the sale of flu vaccines, which could impact the Company. These contracts are subject to periodic renewal that is uncertain and based on financial and performance criteria.

Legislative risks

The company's manufacturing processes must comply with the legislation and standards of the UK Regulator, the Medicines and Healthcare Regulatory Agency (MHRA), and the US regulator, the Federal Drugs Agency (FDA). The legislation and standards are subject to continuous revision.

Financial instrument risks

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

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

3 Risk management (continued)

Financial risk management policy

The company's principal financial investments comprise cash and cash equivalents. Other financial assets and liabilities, such as trade debtors and creditors, arise directly from the company's operating activities. The main purpose of the financial instruments is to provide finance for the company's ongoing operations. It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks associated with the company's financial assets and liabilities are interest rate risk, liquidity risk and currency risk as summarised below:

Interest rate risk

The company has maintained positive cash balances during the year and invests surplus cash balances with an associated company at prevailing market rates.

Credit risk

The company has external debtors against which the company undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default. The company holds third party credit insurance where circumstances warrant it.

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations.

Foreign currency risk

The company's sales are predominantly in Pound Sterling. The company does not hedge any currency exposure as the company is a member of a group in which there is a central treasury function responsible for the management of currency exposures on behalf of the group.

Economic Risks - Brexit

As a company incorporated and operating in the UK, there is an element of risk surrounding Brexit, depending on the deal which is reached between the UK and the European Union. The Seqirus group has undertaken a full risk assessment on the basis of a worst case scenario, namely a Hard Brexit, and has made the necessary contingency plans to ensure that product can continue to be manufactured, tested and released compliantly.

Economic Risks – Covid 19

There is an element of uncertainty due to the impacts of the Covid-19 pandemic. The Seqirus Group continues to monitor the Covid-19 situation as it develops. All the necessary steps are being taken to protect the ongoing supply of product and our people. Further information is given in note 24 to the financial statements.

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

4 Revenue

Management has determined that the company operates in only one segment based on the reports reviewed by the company's management team. This is updated in the current year due to Seqirus moving to a central entrepreneur model and the company no longer shipping directly to the United States, but rather shipping all bulk product to a UK intragroup company. Full detail can be found in the Strategic Report on page 3. Revenue by location of customer is shown below:

	30 June 2019	30 June 2018
	£m	£m
UK	103.2	170.0
USA	-	-
	103.2	170.0

5 Directors and employees

a) Directors

Two of the directors received emoluments, including contributions to money purchase pension schemes, in respect of their services to the company during the year (2018: one).

	30 June 2019	30 June 2018
	£'000	£'000
Aggregate emoluments	292	221

	30 June 2019	30 June 2018
	£'000	£'000
Highest paid director		
Total emoluments	204	221

5 Directors and employees (continued)

In addition to the above, the highest paid director exercised share options during 2019 of £26,598 (2018: £21,605). The company made contributions of £6,608 to the defined contribution pension scheme of the highest paid director (2018: £14,675).

Other than shown above, in the opinion of the board, involvement in the day to day business by the directors does not occupy significant amounts of their time, hence no emoluments were paid to them for their ancillary services to the company.

b) Key management personnel

The company has taken advantage of the exemption in relation to IAS 24 to not disclose information about key management personnel compensation.

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

5 Directors and employees (continued)

c) Employee benefit expense

	30 June 2019	30 June 2018
	£m	£m
Wages and salaries	32.0	23.3
Social security costs	1.9	2.5
Shares granted to directors and employees	0.1	0.1
Other pension costs – defined benefit plans (note 19)	0.5	1.5
	34.5	27.4

d) Average monthly number of people employed

	30 June 2019	30 June 2018
	Number	Number
Manufacturing, research and development	480	428
Administration	24	31
	504	459

6 Finance income

	30 June 2019	30 June 2018
	£m	£m
Finance income		
Interest income on loans to related parties	-	0.1
	-	0.1

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

7 Income tax expense

Analysis of tax charge in the period	30 June 2019 £m	30 June 2018 £m
Current tax – continuing operations		
- UK corporation tax on profit for the period	1.4	4.7
- Adjustment to tax charge in respect of prior years	0.3	-
Total current tax charge	1.7	4.7
Deferred tax		
- Origination and reversal of timing differences	0.9	1.2
- Adjustment to tax charge in respect of prior years	(0.2)	-
Total deferred tax charge/(credit)	0.7	1.2
Total tax charge	2.4	5.9

The tax assessed on the company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits as follows:

	30 June 2019 £m	30 June 2018 £m
Profit before tax	11.1	30.6
Profit before tax multiplied by effective rate of corporation tax in the UK of 19% (2018: 19%)	2.1	5.8
Effects of:		
Expenses not deductible for tax purposes and UK transfer pricing	0.2	0.1
Effect of statutory tax rate changes	-	-
Adjustments to tax charge in respect of prior years – income tax	0.3	-
Adjustments to tax charge in respect of prior years – deferred tax	(0.2)	-
Total tax charge for the period	2.4	5.9

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid or recovered from the taxation authorities, or as group relief, from group undertakings, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Current tax liabilities/(assets) have been recognized at the effective rate of 19% (2018: 19%).

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

7 Income tax expense (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted, or substantively enacted by the balance sheet date. As such, following the substantive enactment during the period of a reduction in corporate tax rate to 17% from 1 April 2020, deferred tax assets and liabilities have been recognized at the rate of 17%. Deferred tax is charged or credited in the income statement except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

8 Intangible assets

	30 June 2019	30 June 2018
	£m	£m
At 1 July	1.3	1.3
Additions in the year	-	-
Disposals in the year	(1.3)	-
At 30 June	-	1.3

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

9 Property, plant and equipment

	Land and buildings £m	Plant, equipment and machinery £m	Assets in the course of construction £m	Total £m
At 30 June 2017				
Cost	15.4	144.3	10.4	170.1
Accumulated depreciation	(5.5)	(56.0)	-	(61.5)
Net book amount	9.9	88.3	10.4	108.6
Period ended 30 June 2018				
Opening net book amount	9.9	88.3	10.4	108.6
Additions	-	-	21.0	21.0
Depreciation charge	(0.2)	(6.8)	-	(7.0)
Disposals	-	(0.3)	-	(0.3)
Transfers	(0.4)	(12.0)	12.4	-
Closing net book amount	9.3	69.2	43.8	122.3
At 30 June 2018				
Cost	15.0	132.0	43.8	190.8
Accumulated depreciation	(5.7)	(62.8)	-	(68.5)
Net book amount	9.3	69.2	43.8	122.3
Period ended 30 June 2019				
Opening net book amount	9.3	69.2	4.8	122.3
Additions	-	-	15.6	15.6
Depreciation charge	(1.6)	(9.5)	-	(11.1)
Disposals	-	(0.2)	-	(0.2)
Transfers	4.6	19.2	(23.8)	-
Closing net book amount	12.2	78.7	34.4	126.6
At 30 June 2019				
Cost	19.6	151.0	35.6	206.2
Accumulated depreciation	(7.3)	(72.3)	0.0	(79.6)
Net book amount	12.2	78.7	35.6	126.6

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

10 Inventories

	30 June 2019	30 June 2018
	£m	£m
Raw materials	10.2	6.0
Work in progress	19.2	10.6
Finished goods	6.6	0.3
	36.0	16.9

The company charged £4.9m of inventory write downs to cost of sales in the income statement during the year ended 30 June 2019 (2018: £3.8m). The cost of inventories recognised as an expense and included in cost of sales amounted to £97.5m (2018: £99.0m).

11 Trade and other receivables

	30 June 2019	30 June 2018
	£m	£m
Prepayments	0.7	5.7
VAT receivable	2.9	2.9
Other receivables	1.6	1.8
Receivables from related parties (note 20)	110.3	120.3
Loans to related parties (note 20)	19.3	19.3
Total receivables	134.8	150.0

Receivables are stated at book value which approximates to their fair value.

Loans to related parties are interest free and repayable on demand.

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

12 Cash and cash equivalents

	30 June 2019	30 June 2018
	£m	£m
Cash at bank and in hand	0.7	2.9

13 Trade and other payables

	30 June 2019	30 June 2018
	£m	£m
Amounts falling due within one year:		
Trade payables	7.7	13.4
Amounts due to related parties (note 20)	42.4	33.2
Social security and other taxes	-	0.7
Accrued expense	9.6	13.3
	59.7	60.6

Payables are stated at cost which approximates to their fair value.

The above payables are due within one year based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

14 Deferred income

	30 June 2019	30 June 2018
	£m	£m
Deferred sales revenue	-	0.1
	-	0.1

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

15 Provisions for other liabilities and charges

	Government grants £m	Total £m
At 1 July 2018	0.3	0.3
Charged/(credited) to the income statement	(0.2)	(0.2)
At 30 June 2019	0.1	0.1

Amounts due within one year included in the above:

At 1 July 2018	0.3	0.3
At 30 June 2019	0.1	0.1

a) Government grants

The company occasionally receives government grants to assist with funding its activities. These grants are held as provisions and released to the income statement as the conditions under which they were granted are fulfilled and to match them with the costs that they are intended to compensate.

16 Share capital

	Number of shares	30 June 2019 £	Number of shares	30 June 2018 £
Authorised				
Ordinary shares of £1 each	100	100	100	100
Issued and fully paid				
Ordinary shares of £1 each	100	100	100	100

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

17 Related parties

The Company is controlled by CSL Limited, a company incorporated in Australia, which is the ultimate parent company. The following transactions were carried out with related parties:

a) Year end balances arising from sales, purchases and recharges

	30 June 2019 £m	30 June 2018 £m
Receivables from related parties		
Immediate parent	-	-
Fellow group undertakings	110.3	120.3
	110.3	120.3
Loans to related parties		
Immediate parent	19.3	19.3
Fellow group companies	-	-
	19.3	19.3
Payables to related parties		
Immediate parent	0.8	6.0
Fellow group undertakings	15.6	27.2
	16.4	33.2
Loans from related parties		
Fellow group undertakings	-	-
	-	-

No interest was charged or due on payables to and receivables from other group undertakings during the year. Interest was charged on the loans to related parties as disclosed in note 11.

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

18 Deferred income tax

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

	30 June 2019 £m	30 June 2018 £m
Deferred tax liabilities:		
- Deferred tax liability to be recovered after more than 12 months	(7.3)	(6.6)
	(7.3)	(6.6)
Deferred tax liabilities – net	(7.3)	(6.6)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances is as follows:

Deferred tax (liabilities)/assets	Accelerated tax depreciation £m	Share based payments £m	Retirement benefit obligations £m	Total £m
At 30 June 2017	(5.4)	-	-	(5.4)
Charged to the income statement	(1.2)	-	-	(1.2)
At 30 June 2018	(6.6)	-	-	(6.6)
Charged to income statement	(0.7)	-	-	(0.7)
At 30 June 2019	(7.3)	-	-	(7.3)

Deferred income tax balances have been re-measured in accordance with changes in UK tax legislation as stated in note 7.

19 Retirement benefit obligations

Pension benefits: defined contribution scheme

The company continues to operate a defined contribution pension scheme. Contributions paid by the company and included within staff costs (note 5) are:

	30 June 2019 £m	30 June 2018 £m
Pension contributions	0.5	1.5

Seqirus Vaccines Limited

Notes to the financial statements for the year ended 30 June 2019 (continued)

20 Ultimate parent undertaking and controlling party

CSL Limited, a company incorporated in Australia, is the company's ultimate parent undertaking and controlling party. Copies of the group financial statements can be obtained from CSL Limited, 45 Poplar Road, Parkville, Victoria 3052.

21 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2019 Land and buildings £m	30 June 2019 Other £m	30 June 2018 Land and buildings £m	30 June 2018 Other £m
- within 1 year	1.4	0.0	1.4	0.1
- between 2 and 5 years	7.2	0.1	5.5	-
- after 5 years	7.4	-	9.5	-
Total	16.0	0.1	16.4	0.1

22 Capital commitments

Capital commitments at 30 June 2019 which were contracted but not provided for amounted to £5.4m (2018: £10.3m).

23 Contingencies

The Company has no contingent liabilities at 30 June 2019.

24 Subsequent events

Covid-19

The Covid-19 pandemic was announced by the WHO in March 2020 and the UK Government placed strict measures in place to manage the impact in the UK effective from 23 March 2020 onwards. Due to the seasonality and nature of the Seqirus Group's activities, there has been no material impact on FY20 trading performance as a result of the Covid-19 pandemic such as the restrictions on movement, social distancing measures, supply chain availability or available manufacturing capacity.

The directors have conducted an assessment on the potential financial and operational risks to the business. The directors believe that the various risks, including safety to employees, ability to manufacture our products and ensuring enough cash resources to operate our business, have been adequately managed. The directors forecast the Company will continue to trade profitably and believe there are no risks created to assets in the balances in the relation to impairment and recoverability of financial assets.

The directors continue to follow the Government guidance applicable to the situation of each entity and continue to take all the necessary steps to protect the ongoing supply of product and our people.