

Company Registration No. 02486738



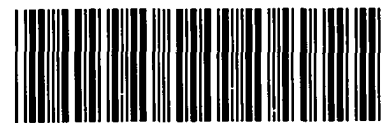
Shire Pharmaceutical Development Limited

Annual report and financial statements

For the year ended 31 December 2018



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SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

COMPANY INFORMATION

Directors	S L Charsley N H M Insall K Shirahata
Company secretary	Shire Corporate Services Limited
Registered office	1 Kingdom Street London W2 6BD United Kingdom
Auditor	Deloitte Ireland LLP Chartered Accountants and Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2 Republic of Ireland

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

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SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their Strategic Report for the Company for the year ended 31 December 2018.

Fair review of the business

The Company's turnover has decreased in the year ended 31 December 2018 by 18% to £42.9 million (2017: £52.3 million) due to the absence of a one-off property related expenditure in the prior year that generated increased service income.

The Company's operating expenses actually increased by 5% to £41.3 million (2017: £39.3 million) primarily due to an increase in inbound research and development charges offset by a small reduction in staff costs in the year.

The Company recorded a profit on ordinary activities before taxation of £3.8 million (2017: £6.4 million). The reduction in the profit in the year was primarily due to reduced net profit generated following the absence of a one off property related expenditure and associated income in the prior year.

The Company's financial position as at 31 December 2018, in terms of net assets, was £181.5 million (2017: £177.4 million). The reason for the increase in the year was due to a profit recorded for the year.

Future developments

The Directors expect the current level of activity to continue.

Principal risks and uncertainties

During the year under review, the Company's operations were managed in conjunction with the objectives and performance of the Group (Shire Limited, formerly Shire plc, and subsidiaries). As a result, the principal risks and uncertainties of the Group influenced and were therefore considered to be those of the Company.

In common with any biotechnology development and distribution business, there is an inherent risk that results of future clinical trials, future requirements of regulatory authorities or developments in respect of competitive products could have significant consequences for the Group. The Group continuously monitored these developments on behalf of its subsidiaries and acted where appropriate.

Further information in respect of risk factors impacting the Company and the Group can be obtained from the Shire Limited Annual Report, which do not form part of this annual report, and are available from the address in note 21.

Financial risk management

The Company's financial risks were managed on a Group basis.

Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk; liquidity risk and market risk (including foreign currency exchange risk, price risk and interest rate risk).

The Group's overall financial risk management program focused on the unpredictability of financial markets and sought to minimise potential adverse effects on the Group's financial performance. The Group used derivative financial instruments to economically hedge certain risk exposures.

Financial risk management was carried out by a corporate treasury function conducted within a framework of policies and procedures approved annually by the Shire Limited Board of Directors. The corporate treasury function identified, evaluated and hedged financial risks as needed for each subsidiary. As a matter of policy, the Group did not undertake speculative transactions that would increase currency or interest rate exposure.

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Financial risk management (continued)

Financial risk factors (continued)

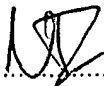
Further information in respect of the financial risk management of the Group can be obtained from the Shire Limited Annual Report, which do not form part of this annual report, and are available from the address in note 21.

Key performance indicators

The Company's operations were managed in conjunction with the objectives and performance of the Group. As a result, the key performance indicators of the Group influence and were therefore considered to be those of the Company.

The Group managed its business on an Inline (Commercial Products split into separate business units) and Pipeline (research and development and business development) basis, supported by technical operation and corporate functions, with central oversight of the Group's performance as a whole. Consequently the Directors believe that key performance indicators for the Company were not necessary or appropriate for an understanding of the development, performance or position of the business. The Group's key performance indicators are discussed in the Shire Limited Annual Report, which do not form part of this annual report, and are available from the address in note 21.

On behalf of the board



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N H M Insall

Director

Date: 05/9/19

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their annual report and audited financial statements for the year ended 31 December 2018.

Principal activities

The Company was a wholly owned subsidiary within the Shire Limited, formerly Shire plc, group during the year ("the Group" or "Shire") and from 8 January 2019 is a wholly owned subsidiary of Takeda Pharmaceutical Company Limited ("Takeda"), a leading biopharmaceutical company bringing better health and a brighter future to people worldwide.

The Company's principal activity continued to be that of the research and development of pharmaceutical products on behalf of other group companies, and associated regulatory operations.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

F M K Carruthers	(resigned 28 February 2019)
S L Charsley	(appointed 28 February 2019)
N H M Insall	(appointed 28 February 2019)
K Shirahata	(appointed 30 June 2018)
J I W Webb	(resigned 04 July 2018)
S P Williams	(resigned 08 February 2019)

Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid (2017: £nil). The directors do not recommend payment of a final dividend.

Events after the reporting date

On 8 January 2019 Takeda Pharmaceutical Company Limited, a company incorporated in Japan, completed the acquisition of Shire Limited. As of this date, Takeda Pharmaceutical Company Limited became the ultimate parent of the Company.

Going concern

The Directors have a reasonable expectation that the Group 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 financial statements.

Auditor

Deloitte Ireland LLP was appointed as auditor on 18 June 2018, and will resign following the filing of the accounts. An ordinary resolution to appoint a new auditor will be circulated to the sole shareholder of the Company following the filing of the accounts.

Strategic Report

The directors have chosen in accordance with section 414C(11) of the Companies Act 2006 to include in the Strategic Report matters otherwise required to be disclosed in the Directors' Report as the directors consider these are of strategic importance to the Company. The following disclosures required by s416 (4) have been elevated to the strategic report in this way:

- Financial risk management objectives and policies
- Future developments

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the board



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N H M Insall

Director

Date: 25/9/19

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors are responsible for preparing the Directors' Annual Report and the financial statements in accordance with applicable law and regulations.

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

Independent auditor's report to the members of Shire Pharmaceutical Development Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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.

We have audited the financial statements of Shire Pharmaceutical Development Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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.

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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Independent auditor's report to the members of Shire Pharmaceutical Development Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identifies and assesses the risks of material misstatement of the entity's (or where relevant, the consolidated) financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's (or where relevant, the group's) internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concludes on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's (or where relevant, the group's) ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Report on other legal and regulatory requirements

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

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**Independent auditor's report to the members of Shire
Pharmaceutical Development Limited**

Opinions on other matters prescribed by the Companies Act 2006 (continued)

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 any material misstatements in annual report or the directors' report.

Matters on which we are required to report by exception


Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

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.


Ann McGonagle FCA (Senior statutory auditor)
For and on behalf of Deloitte Ireland LLP
Statutory Auditor
Dublin, Ireland

30 September 2019

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Turnover	3	42,954	52,259
Administrative expenses		<u>(41,320)</u>	<u>(39,256)</u>
Profit on ordinary activities before finance charges		1,634	13,003
Interest receivable and similar income	4	2,174	302
Interest payable and similar charges	5	(39)	-
Fair value loss on investment property		-	<u>(6,969)</u>
Profit on ordinary activities before taxation	6	<u>3,769</u>	<u>6,336</u>
Taxation	8	<u>(376)</u>	<u>(3,213)</u>
Profit on ordinary activities after taxation and profit for the year		<u>3,393</u>	<u>3,123</u>

All of the results in the current and prior periods were derived from continuing operations.

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

STATEMENT OF FINANCIAL POSITION

Company Registration No. 02486738

AS AT 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Goodwill	9	-	-
Intangible non-current assets			
Tangible non-current assets	10	-	25
Investment property	11	-	9,485
Debtors: amounts falling due after one year	12	170,406	723
Deferred taxation	15	1,089	723
		<u>171,495</u>	<u>10,233</u>
Current assets			
Debtors: amounts falling due within one year	12	<u>18,769</u>	<u>175,148</u>
Current liabilities			
Creditors: amounts falling due within one year	13	<u>(8,745)</u>	<u>(7,909)</u>
Net current assets		<u>10,024</u>	<u>167,239</u>
Total assets less current liabilities		<u>181,519</u>	<u>177,472</u>
Provisions for liabilities and charges	14	<u>(28)</u>	<u>(50)</u>
Net assets		<u>181,491</u>	<u>177,422</u>
Capital and reserves			
Called up share capital	16	230,611	230,611
Fair value reserve		(14,993)	(14,993)
Profit and loss account		(34,127)	(38,196)
Total equity		<u>181,491</u>	<u>177,422</u>

The financial statements on pages 11 to 31 were approved by the Board of Directors and authorised for issue on 25/9/19 and are signed on its behalf by:


N H M Insall
Director

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £'000	Fair value reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2017	230,611	(14,993)	(42,598)	173,020
Profit and total comprehensive income for the year	-	-	3,123	3,123
Transactions with owners in their capacity as owners: Capital contribution relating to Group equity settled share-based payments	-	-	1,279	1,279
Total transactions with owners in their capacity as owners	-	-	1,279	1,279
Balance at 31 December 2017	230,611	(14,993)	(38,196)	177,422
Profit and total comprehensive income for the year	-	-	3,393	3,393
Transactions with owners in their capacity as owners: Capital contribution relating to Group equity settled share-based payments	-	-	676	676
Total transactions with owners in their capacity as owners	-	-	676	676
Balance at 31 December 2018	230,611	(14,993)	(34,127)	181,491

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

General information

Shire Pharmaceutical Development Limited ("the Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the Company's registered office and principal place of business is 1 Kingdom Street, London, W2 6BD, United Kingdom.

The Company's principal activities and the nature of its operations are discussed in the Strategic Report on page 3 and the Directors' Report on page 5.

Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (issued September 2015) ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Financial statements and Reports) Regulations 2008, and under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Reduced disclosures

In accordance with FRS 102, the Company meets the definition of a qualifying entity and has therefore taken advantage of the exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares.
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 26 'Share-based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the Company are consolidated in the financial statements of Shire Limited. The consolidated financial statements of Shire Limited are available from the address in note 21.

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis of accounting in preparing the report and financial statements.

Functional and presentational currencies

The financial statements are presented in Pounds Sterling, which is also the functional currency of the Company.

Foreign currencies

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate ruling on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to group companies in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Turnover is recognised in relation to separately identifiable components of a single transaction when necessary to reflect the substance of the arrangement and in relation to two or more linked transactions when necessary to understand the commercial effect.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Sale of research and development services

Turnover from the sale of research and development services to other Shire Group companies is recognised on a cost plus basis. Where the outcome cannot be estimated reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

Other income

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

Intangible non-current assets – goodwill

Goodwill is capitalised and written off evenly over 10 years as in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits.

Tangible non-current assets

Tangible non-current assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Depreciation is provided on all tangible non-current assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Freehold buildings	2% per annum
Furniture, fittings and equipment	between 2 and 8 years

Land and buildings are accounted for separately even when acquired together.

Freehold land is not depreciated.

Impairments of non-current assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of non-current assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Borrowing costs

Borrowing costs are expensed as incurred.

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

Investment properties

Investment properties (including properties held under an operating lease) are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the statement of comprehensive income.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The directors consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the profit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the Company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Retirement benefits

The Company contributes to personal defined contribution pension plans of employees. Contributions are charged to the profit and loss account as they become payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Share based payments

The Company participated in share-based payment arrangements granted to its employees and employees of the Shire Group, until 8th January 2019. Under these arrangements the Company granted share options ("equity-settled share-based payments") and issued share appreciation rights ("cash-settled share-based payments") to certain employees.

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. Options and performance share awards granted without market conditions are valued using the Black-Scholes option-pricing model. Options and performance share awards granted with market conditions are valued using a binomial model.

For cash-settled share-based payments the goods or services received are measured at fair value with a corresponding liability which is remeasured to fair value at each reporting date. Changes in fair value are recognised through profit or loss.

Provision is made for National Insurance Contributions (NICs) on outstanding share options that are expected to be exercised, based upon the latest enacted NIC rates at the reporting date.

Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Critical accounting estimates and areas of judgement

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The 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 are discussed below:

During the prior year, property held by the Company was vacated in its entirety by Shire group personnel and subsequently advertised for new ownership or occupancy. Accordingly, the directors consider this change in occupancy to have a material effect of the split between freehold and investment property and a transfer was recognised in 2017 to recognise the property as investment in nature in total.

In calculating the share based payment charge under the Black-Scholes option-pricing model in line with the accounting policies, the directors are required to make various estimates which affect the value of the charge. The key estimates are the expected forfeiture rate applicable to the shares and the fair value of the options at the grant date.

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Turnover

An analysis of the Company's turnover by class of business is as follows:

	2018 £'000	2017 £'000
Fees charged in relation to research and development	42,954	52,259

An analysis of the Company's turnover by geographic region is as follows:

	2018 £'000	2017 £'000
Europe	38,867	47,097
Rest of World	4,087	5,162
	<u>42,954</u>	<u>52,259</u>

4 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest arising on loans to group undertakings	2,174	302

5 Interest payable and similar charges

	2018 £'000	2017 £'000
Interest payable on loans from group undertakings	39	-

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

6 Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging/(crediting):

	2018	2017
	£'000	£'000
Amortisation of intangible assets	-	48
Depreciation of tangible non-current assets	9	273
Gain on disposal of non-current assets	(1)	(253)
Research and development expenditure	27,222	21,590
Foreign exchange (gains)/losses	(171)	163
Provision – National Insurance on share options (Note 14)	(22)	71
Share based payments	676	1,279

Depreciation and amortisation charges are included within administrative expenses on the Statement of Comprehensive Income.

Fees payable to Deloitte Ireland LLP and its associates in respect of audit services are as follows:

	2018	2017
	£'000	£'000
Audit services – statutory audit of the Company	11	13

All fees payable to Deloitte Ireland LLP and its associates noted above was borne by another Group company, and no recharge was made to the Company in respect of these costs in the current or comparative year.

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7 Employees

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

	2018 No	2017 No
Directors	-	-
Research and development	51	68
	<u>51</u>	<u>68</u>

Staff costs for the above persons:

	2018 £'000	2017 £'000
Wages and salaries	6,059	7,609
Social security costs	561	730
Pension contributions	281	368
Severance costs	373	1,151
Share-based payments charge	676	1,279
	<u>7,950</u>	<u>11,137</u>

Directors

All Directors who served during the year did not receive remuneration directly in respect of their services as Directors of the Company (2017: £nil).

8 Taxation

	2018 £'000	2017 £'000
Current tax		
UK corporation tax	767	2,691
Adjustments in respect of previous years	(25)	157
Total current tax	<u>742</u>	<u>2,848</u>
Deferred tax		
Origination and reversal of timing differences	230	314
Adjustments in respect of previous years	(572)	88
Effect of change in tax rate on opening liability	(24)	(37)
Total deferred tax	<u>(366)</u>	<u>365</u>
Total tax on profit on ordinary activities	<u>376</u>	<u>3,213</u>

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Taxation (continued)
Factors affecting the tax charge for the year.

The tax assessed for the year is lower (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Company profit on ordinary activities before tax	3,769	6,336
Company profit on ordinary activities multiplied by the standard rate of corporation tax of 19% (2017: 19.25%):	716	1,219
Effects of:		
Expenses not deductible for tax purposes	829	2,322
Group relief claimed	(588)	(701)
Other permanent differences	-	-
Adjustments in respect of previous years – current tax	(25)	157
Adjustments in respect of previous years – deferred tax	(572)	88
Origination and reversal of timing differences	40	165
Effect of change in tax rate on opening asset – deferred tax	(24)	(37)
	<u>376</u>	<u>3,213</u>

The UK government announced reductions in the main rate of UK Corporation Tax, which fell to 19% with effect from 1 April 2017 and 17% from 1 April 2020, and these were enacted on 18 November 2015 and 15 September 2016 respectively. As these changes were substantively enacted at the balance sheet date, deferred tax has been calculated at the appropriate rate when the balance is expected to unwind in these financial statements.

9 Goodwill	Goodwill £'000
Cost or valuation:	
As at 1 January 2018 and 31 December 2017	<u>586</u>
Amortisation:	
As at 1 January 2018	586
Amortisation charged in the year	-
As at 31 December 2018	<u>586</u>
Carrying amount:	
As at 31 December 2018	<u>-</u>
As at 31 December 2017	<u>-</u>

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

10	Tangible non-current assets	Furniture, fittings and equipment £'000	Total £'000
	Cost		
	As at 1 January 2018	7,771	7,771
	Disposals	(7,771)	(7,771)
	As at 31 December 2018	-	-
	Depreciation		
	As at 1 January 2018	7,746	7,746
	Charge in year	9	9
	Disposals	(7,755)	(7,755)
	As at 31 December 2018	-	-
	Net book value		
	As at 31 December 2018	-	-
	As at 31 December 2017	25	25

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11	Investment property	£'000
	Fair value:	
	As at 1 January 2018	9,485
	Disposal	(9,485)
	As at 31 December 2018	-
	Net book value	
	As at 31 December 2018	-
	As at 31 December 2017	9,485

Investment property comprised freehold office buildings. The fair value of the Company's investment property at 31 December 2017 was arrived at on the basis of the completed sale to a third party of the property on 20 September 2018. The Company completed sale of the investment property to a third party, receiving proceeds of £9.5 million. Accordingly, the fair value of the investment property within the balance sheet in the prior year was adjusted to reflect this realised value.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

		Land and buildings £'000
	Cost	
	As at 1 January 2018	24,633
	Additions	-
	Disposals	(24,633)
	As at 31 December 2018	-
	Depreciation	
	As at 1 January 2018	5,330
	Charge in year	386
	Disposals	(5,716)
	As at 31 December 2018	-
	Net book value	
	As at 31 December 2018	-
	As at 31 December 2017	19,303

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

12	Debtors	2018 £'000	2017 £'000
	Amounts due from Group undertakings	189,056	174,262
	Other taxation and social security	83	135
	Prepayments and accrued income	36	84
	Grants receivable	-	667
		<u>189,175</u>	<u>175,148</u>

The amounts due from Group undertakings are primarily pound sterling denominated. Amounts of £183,070,000 (2017: £150,304,000) bear interest at floating rates of interest. The remaining balance is non-interest bearing. An amount of £170,406,000 is due in more than one year. All remaining amounts due from Group undertakings are repayable on demand.

Included within debtors above are the following amounts due in more than one year:

	2018 £'000	2017 £'000
Amounts due from Group undertakings	<u>170,406</u>	<u>-</u>

13	Creditors: amounts falling due within one year	2018 £'000	2017 £'000
	Trade creditors	612	238
	Amounts owed to Group undertakings	6,310	2,562
	Accruals and deferred income	1,823	2,418
	Corporation tax	-	2,691
		<u>8,745</u>	<u>7,909</u>

The amounts due to Group undertakings are primarily unsecured, pound sterling denominated, repayable on demand and do not bear interest at floating rates of interest.

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14	Provisions for liabilities	National Insurance £'000	Total £'000
	As at 1 January 2018	50	50
	Credit to P&L in the year	(22)	(22)
	As at 31 December 2018	28	28

National Insurance

The National Insurance provision represents the National Insurance Contributions on equity-settled SARs, share options and performance shares (awarded since April 1999 under unapproved share option schemes) which are expected to be exercised. The provision has been calculated based on the difference between the year end share price of Shire plc, the Company over which the awards were granted, of £46.90 (2017: £39.00) and the average exercise price of £41.57 (2017: £43.82). The provision is expected to be settled within one to seven years.

15	Deferred taxation	2018 £'000
	As at 1 January 2018	723
	Charge in the year	366
	As at 31 December 2018	1,089

The major deferred tax assets recognised by the Company are:

	2018 £'000	2017 £'000
Decelerated capital allowances	1,022	620
Timing differences	67	103
	1,089	723

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

16	Called up share capital and reserves				
	Called up share capital				
		2018	2018	2017	2017
		No	£'000	No	£'000
	Allotted, issued and fully paid				
	Ordinary shares of £1 each	230,610,990	<u>230,611</u>	230,610,990	<u>230,611</u>

Ordinary share rights

Ordinary shares have full rights in the company with respect to voting, dividends and distributions.

Reserves

Profit and loss account

Cumulative profit and loss net of distributions to owners.

Fair value reserve

Cumulative revaluation gains and losses in respect of investment properties, separately classified from the profit and loss reserve.

17 **Retirement benefits**

The Company operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions payable by the Company charged to profit or loss amounted to £281,000 (2017: £368,000) Contributions totalling £nil (2017: £nil) were payable to the fund at the year end and are included in creditors.

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

18 Share based payments

Group share based payment arrangements

The Company participated in group share-based payment arrangements until 8th January 2019, and recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the Group.

The required disclosures are therefore included in the Shire plc's consolidated financial statements.

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. Stock options ("Options"), stock appreciation rights ("SARs") and restricted stock units ("RSUs") which are not subject to performance criteria, are valued using the Black-Scholes option-pricing model. SARs and performance share units ("PSUs") subject to performance criteria are valued using a binomial model.

Stock-settled SARs and stock options

SARs under LTIP and PSP (Part A)

Stock-settled share appreciation rights ("SARs"), granted to Executive Directors, are exercisable subject to service and performance criteria.

In respect of any award made to Executive Directors under the LTIP, performance criteria are based on Product Sales and Non-GAAP EBITDA targets, with a Non-GAAP Adjusted ROIC underpin. In respect of any award made to Executive Directors under the PSP (Part A), performance criteria are based on growth in Non-GAAP Adjusted ROIC and Non-GAAP EBITDA. These performance measures are an important measure of the Company's ability to meet the strategic objective to grow value for all of its stakeholders.

Awards granted to employees below Executive Director level are not subject to performance conditions and are only subject to service conditions.

Once awards have vested, participants will have until the seventh anniversary of the date of grant to exercise their awards.

UK/Irish Sharesave Plans ("Sharesave Plans")

Options granted under the Sharesave Plans are granted with an exercise price equal to 80% and 75% of the mid-market price on the day before invitations are issued to UK and Ireland employees, respectively. Employees may enter into three or five year savings contracts. No performance conditions apply.

RSUs and PSUs under LTIP and PSAs under PSP (Part B)

PSUs and PSAs granted to Executive Directors and PSUs granted to certain senior employees are exercisable subject to certain performance and service criteria.

RSUs and PSAs granted to employees below Executive Director are not subject to performance criteria and are only subject to service conditions.

The performance criteria for PSUs granted under the LTIP is based on Product sales and Non-GAAP EBITDA targets, typically with a Non-GAAP Adjusted ROIC underpin. The performance criteria for PSAs under the PSP (Part B) is based on growth in Non-GAAP Adjusted ROIC and Non-GAAP EBITDA.

SHIRE PHARMACEUTICAL DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

19 Related party transactions

The Company has taken advantage of the exemption in Section 33 of FRS 102 not to disclose transactions with wholly owned Group companies.

20 Events after the reporting date

On 8 January 2019 Takeda Pharmaceutical Company Limited, a company incorporated in Japan, completed the acquisition of Shire Limited. As of this date, Takeda Pharmaceutical Company Limited became the ultimate parent of the Company.

21 Ultimate parent company

The ultimate parent undertaking of the Company at the year end was Shire Limited, formerly Shire plc, a company incorporated in Jersey. From 8 January 2019, the ultimate parent undertaking of the Company is Takeda Pharmaceutical Company Limited, a company incorporated in Japan. The head office of Takeda Pharmaceutical Company Limited is 1-1, Doshomachi 4-chome, Chuo-ku, Osaka, Japan.

Shire Pharmaceuticals Group, a company incorporated in England & Wales, is the immediate parent company of Shire Pharmaceutical Development Limited. The registered office of Shire Pharmaceuticals Group is 1 Kingdom Street, London, W2 6BD, United Kingdom.

At 31 December 2018, Shire Limited headed the smallest and largest group which prepares consolidated Financial statements in which the results of the Company are included. The financial statements of Shire Limited are available from The Company Secretary, Shire Limited, 22 Grenville Street, St Helier, Jersey, JE4 8PX.