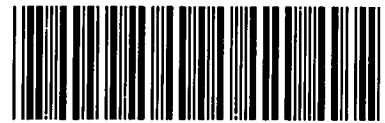




# Shire Pharmaceuticals Group

Annual report and financial statements

For the year ended 31 December 2018



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01/10/2019  
COMPANIES HOUSE

# SHIRE PHARMACEUTICALS GROUP

## COMPANY INFORMATION

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

# SHIRE PHARMACEUTICALS GROUP

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# SHIRE PHARMACEUTICALS GROUP

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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

#### **Fair review of the business**

The Company's turnover in the year ended 31 December 2018 totalled \$305.8 million (2017: \$193.5 million).

The Company's administrative expenses in the year ended 31 December 2018 totalled \$307.5 million (2017: \$192.6 million).

The Company recorded a loss before tax, for the year ended 31 December 2018, of \$5.5 million (2017: loss \$2.5 million).

The Company's financial position as at 31 December 2018, in terms of net assets, was \$400.0 million (2017: \$403.7 million).

There have not been any significant changes in the Company's principal activities in the year under review.

#### **Future developments**

The Directors expect the current level of activity to continue.

#### **Principal risks and uncertainties**

During the year, the Company's operations are managed in conjunction with the objectives and performance of the Group (Shire plc and subsidiaries). As a result, the principal risks and uncertainties of the Group influence and are 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 monitors these developments on behalf of its subsidiaries and takes action where appropriate.

Further information in respect of risk factors impacting the Company and the Group can be obtained from the Shire plc 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 are 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 focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to economically hedge certain risk exposures.

# SHIRE PHARMACEUTICALS GROUP

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### Financial risk management (continued)

*Financial risk factors (continued)*

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

Further information in respect of the financial risk management of the Group can be obtained from the Shire plc 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 are managed in conjunction with the objectives and performance of the Group. As a result, the key performance indicators of the Group influence and are therefore considered to be those of the Company.

The Group manages 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 are 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 plc 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

  
.....  
N H M Insall

**Director**

Date: 25/9/19.....

# SHIRE PHARMACEUTICALS GROUP

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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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 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 providing group services to both its subsidiaries and its affiliates. The Company incurs costs in the United Kingdom in the provision of services to Group companies, which are recharged to Group companies.

#### Directors

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

D R E Bailly	(appointed 15 January 2018, resigned 06 May 2019)
F M K Carruthers	(resigned 28 February 2019)
N H M Insall	(appointed 28 February 2019)
J C Neal	(appointed 12 March 2019)
K Shirahata	(appointed 30 June 2018)
J I W Webb	(resigned 30 June 2018)

#### 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 annual report and financial statements.

#### 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 Plc. As of this date, Takeda Pharmaceutical Company Limited became the ultimate parent of the Company.

#### Auditor

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

# SHIRE PHARMACEUTICALS GROUP

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 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

### 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



.....  
N H M Insall

**Director**

Date: 25/9/19 .....

# **SHIRE PHARMACEUTICALS GROUP**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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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 FRS102 "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 Pharmaceuticals Group

### 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 loss 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 Pharmaceuticals Group (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 Pharmaceuticals Group**

### **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.

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## **Independent auditor's report to the members of Shire Pharmaceuticals Group**

### **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.

#### **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**

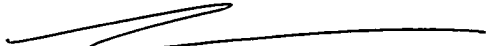
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 (Senior Statutory auditor)  
For and on behalf of Deloitte Ireland LLP  
Statutory Auditor  
Dublin, Ireland

*30 September 2019*

# SHIRE PHARMACEUTICALS GROUP

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
Turnover	3	305,750	193,513
Administrative expenses		(307,494)	(192,589)
Operating (loss)/profit		(1,744)	924
Interest payable to Group undertakings		(3,776)	(3,402)
Loss on ordinary activities before taxation	4	(5,520)	(2,478)
Taxation	6	(848)	(1,507)
Loss on ordinary activities after taxation and loss for the year		(6,368)	(3,985)

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

No other gains and losses other than those above have occurred, therefore no separate statement of comprehensive income has been prepared.

# SHIRE PHARMACEUTICALS GROUP

## STATEMENT OF FINANCIAL POSITION

Company Registration No. 02883758

AS AT YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
<b>Non-current assets</b>			
Intangible assets	7	2,088	3,093
Tangible assets	8	7,798	10,170
Investments	9	475,930	460,646
Debtors: amounts falling due after more than one year	10	6,584	7,855
		<u>492,400</u>	<u>481,764</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	69,378	53,434
Cash at bank and in hand		-	6
		<u>69,378</u>	<u>53,440</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	11	(94,457)	(35,796)
<b>Net current (liabilities)/assets</b>		<u>(25,079)</u>	<u>17,644</u>
<b>Total assets less current liabilities</b>		<u>467,321</u>	<u>499,408</u>
Creditors: Amounts falling due after more than one year	12	(66,936)	(95,465)
Provisions for liabilities	13	(354)	(207)
<b>Net assets</b>		<u>400,031</u>	<u>403,736</u>
<b>Capital and reserves</b>			
Called up share capital	15	86	86
Share premium account		757	757
Capital redemption reserve		625	625
Other capital reserves		29,426	29,426
Capital contribution reserve		273,320	273,320
Foreign exchange reserve		(5,770)	(5,770)
Profit and loss account		101,587	105,292
<b>Total equity</b>		<u>400,031</u>	<u>403,736</u>

The financial statements on pages 11 to 32 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 PHARMACEUTICALS GROUP

### STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Other capital reserves \$'000	Capital contribution reserve \$'000	Foreign exchange reserve \$'000	Profit and loss account \$'000	Total \$'000
Balance at 1 January 2017	86	757	625	29,426	273,320	(5,770)	104,713	403,157
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(3,985)	(3,985)
Transactions with owners in their capacity as owners: Capital contribution relating to Group equity settled share-based payments	-	-	-	-	-	-	4,564	4,564
Balance at 31 December 2017	86	757	625	29,426	273,320	(5,770)	105,292	403,736
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(6,368)	(6,368)
Transactions with owners in their capacity as owners: Capital contribution relating to Group equity settled share-based payments	-	-	-	-	-	-	2,663	2,663
Balance at 31 December 2018	86	757	625	29,426	273,320	(5,770)	101,587	400,031

# SHIRE PHARMACEUTICALS GROUP

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

#### General information

Shire Pharmaceuticals Group ("the Company") is a private unlimited company 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, United Kingdom, W2 6BD.

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" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

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

#### Consolidated financial statements

The Company has taken advantage of the exemption from the requirement to prepare consolidated financial statements on the basis that it is a subsidiary undertaking.

Consolidated Financial statements of the Company's ultimate parent company at 31 December 2018, Shire plc, are prepared in conformity with accounting principles generally accepted in the United States of America ('US GAAP'), in which the financial results and cash flow statement of the Company and its subsidiaries are included, can be found in the Shire Annual Report. Consequently, these financial statements present the financial position and financial performance of the Company as a single entity.

#### 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.

# SHIRE PHARMACEUTICALS GROUP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (continued)

#### Reduced disclosures (continued)

- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

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

#### 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 US Dollars 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.



# SHIRE PHARMACEUTICALS GROUP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (continued)

#### Turnover (continued)

##### *Sale of management services*

Turnover relating to the sale of management services represents the recharge, under cost plus arrangements, of certain costs incurred on behalf of other group entities. Revenue is recognised when costs covered by these agreements are incurred. Where the outcome cannot be estimated reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

#### Other income

##### *Dividend income*

Dividend income from investments in subsidiaries is recognised when the Company's right to receive payment is established.

#### Intangible non-current assets – assets other than goodwill

##### *Internally generated intangible assets*

The cost of internally generated brands, logos, publishing titles, customer lists and similar items are expensed as incurred.

##### *Other intangible assets*

Intangible assets purchased, other than in a business combination, are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets arising on a business combination are recognised, except where the asset arises from legal or contractual rights, and there is no history or evidence of exchange transactions for the same or similar assets and estimating the asset's fair value would depend on immeasurable variables.

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:

Intellectual property	10 years
Software	4 years

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

# SHIRE PHARMACEUTICALS GROUP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (continued)

#### Tangible non-current assets

Tangible non-current assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible non-current assets 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:

Leasehold improvements	between 5 and 15 years
Fixtures, fittings and equipment	between 2 and 6 years
Computer equipment	between 2 and 4 years

#### Impairments of non-current assets

An assessment is made at each reporting date of whether there are indications that non-current assets 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.

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.

#### Non-current assets investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries are reviewed for indicators of impairment at each reporting date. An assessment for any impairment is performed where indicators are identified and any impairments losses or reversals of impairment losses are recognised immediately in profit or loss.

# SHIRE PHARMACEUTICALS GROUP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (continued)

#### 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.

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.

#### Leases

##### *The Company as Lessee – operating leases*

All leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

#### 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.

**SHIRE PHARMACEUTICALS GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1 Accounting policies (continued)**

**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.

***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.

# SHIRE PHARMACEUTICALS GROUP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (continued)

#### *Financial liabilities and equity (continued)*

##### *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.

##### *De-recognition 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 8<sup>th</sup> 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 re-measured 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 PHARMACEUTICALS GROUP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 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 and areas of judgement*

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:

In line with the accounting policies, the Company assesses its subsidiaries for indications of impairment at each reporting date. If such indications exist, the assessment of the value of each investment requires estimates in respect of the future cash flows and an appropriate discount rate. The key inputs to the value in use calculations are the discount rate and the future earnings growth.

In assessing the recoverability of the group's debtors, management makes assumptions as to the probability of the debt becoming bad by considering the age of the debt, the payment terms of the contract, the credibility of the customer and historic knowledge.

### 3 Turnover

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

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Sale of management services	305,750	193,513

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

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
United Kingdom	2,651	28,892
Rest of Europe	266,324	104,186
Rest of the world	36,775	60,435
	<u>305,750</u>	<u>193,513</u>

**SHIRE PHARMACEUTICALS GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**4 Loss on ordinary activities before taxation**

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

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Amortisation of intangible assets	1,920	3,113
Depreciation of tangible assets	2,290	1,972
Profit on disposal of non-current assets investments	(10)	-
Impairment charge on non-current assets investments (note 9)	-	-
Share based payments	2,663	4,564
Foreign exchange losses	1,224	1,071
Operating lease rentals	3,390	2,487
	<u>          </u>	<u>          </u>

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

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit services – statutory audit of the Company	17	22
	<u>          </u>	<u>          </u>

**5 Employees**

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

	<b>2018</b>	<b>2017</b>
	<b>No</b>	<b>No</b>
Directors	-	-
Administration staff	66	79
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

**SHIRE PHARMACEUTICALS GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**5 Employees (continued)**

Staff costs for the above persons:

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	15,066	17,520
Social security costs	2,335	2,505
Defined contribution pension costs	685	712
Employee share schemes	2,663	4,564
Severance costs	493	4,689
	<u>21,242</u>	<u>29,990</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).

**6 Taxation**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current tax</b>		
UK corporation tax	-	-
Total current tax	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	985	1,455
Adjustments in respect of previous years	(33)	222
Effect of change in tax rate on opening liability	(104)	(170)
Total deferred tax	<u>848</u>	<u>1,507</u>
Total tax on loss on ordinary activities	<u>848</u>	<u>1,507</u>



# SHIRE PHARMACEUTICALS GROUP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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**6 Taxation (continued)**

Factors affecting the tax charge for the year.

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

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Company loss on ordinary activities before tax	(5,520)	(2,478)
Company loss on ordinary activities multiplied by the standard rate of corporation tax of 19% (2017: 19.25%):	(1,049)	(477)
Effects of:		
Income not taxable	(2)	-
Expenses not deductible for tax purposes	661	50
Share options	147	479
Group relief surrendered	1,228	1,403
Adjustments in respect of previous years – deferred tax	(33)	222
Effect of change in tax rate on opening liability – deferred tax	(104)	(170)
	<u>848</u>	<u>1,507</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.

**SHIRE PHARMACEUTICALS GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

<b>7</b>	<b>Intangible assets</b>	<b>Intellectual property</b>	<b>Software</b>	<b>Total</b>		
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>		
	<b>Cost</b>					
	As at 1 January 2018	1,050	21,841	22,891		
	Additions	-	781	781		
	Transfers	-	134	134		
	As at 31 December 2018	1,050	22,756	23,806		
	<b>Amortisation and impairment</b>					
	As at 1 January 2018	1,050	18,748	19,798		
	Amortisation charged in the year	-	1,920	1,920		
	As at 31 December 2018	1,050	20,668	21,718		
	<b>Net book value</b>					
	As at 31 December 2018	-	2,088	2,088		
	As at 31 December 2017	-	3,093	3,093		
<b>8</b>	<b>Tangible non-current assets</b>	<b>Leasehold improvements</b>	<b>Furniture &amp; Fittings</b>	<b>Computer hardware</b>	<b>Assets in the course of construction</b>	<b>Total</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>Cost</b>					
	As at 1 January 2018	7,505	1,557	7,915	684	17,661
	Additions	-	2	-	50	52
	Disposals	-	-	-	-	-
	Transfers	124	22	247	(527)	(134)
	As at 31 December 2018	7,629	1,581	8,162	207	17,579
	<b>Depreciation and impairment</b>					
	As at 1 January 2018	930	274	6,287	-	7,491
	Charge in year	1,033	316	941	-	2,290
	Eliminated on disposal	-	-	-	-	-
	As at 31 December 2018	1,963	590	7,228	-	9,781
	<b>Net book value</b>					
	As at 31 December 2018	5,666	991	934	207	7,798
	As at 31 December 2017	6,575	1,283	1,628	684	10,170

**SHIRE PHARMACEUTICALS GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

9	Non-current asset investments	Subsidiary undertakings \$'000
	<b>Cost</b>	
	As at 1 January 2018	1,600,913
	Additions	15,284
	Disposals	-
	As at 31 December 2018	1,616,197
	<b>Impairment</b>	
	As at 1 January 2018	1,140,267
	Charge in year	-
	As at 31 December 2018	1,140,267
	<b>Net book value</b>	
	As at 31 December 2018	475,930
	As at 31 December 2017	460,646

On 15 January 2018, the Company sold its entire investment of \$225 in Shire Belgium BVBA to a fellow group company.

On 28 March 2018, the Company purchased the entire shareholding in Auralis Limited from a fellow group company for total proceeds of £11,100,000.

At 31 December 2018 the Company owned, directly or indirectly, 100% of the issued ordinary share capital (unless otherwise stated below) of the following companies:

Subsidiary undertakings	Registered office	Principal activity
<i>Direct ownership</i>		
Auralis Limited	1	Intellectual property holder
Shire Corporate Services Limited	1	Provider of professional services to other Shire Group companies
Shire Europe Limited	1	Holding company
Shire Holdings UK Limited	1	Holding company
Shire Pharmaceutical Development Limited	1	Research and development of pharmaceuticals
Shire Pharmaceutical Investment Trading Ireland UC*	3	Investment company
Shire Pharmaceuticals Services Limited	1	Provider of professional services to other Shire Group companies
Rybar Laboratories Limited	1	Dormant

**SHIRE PHARMACEUTICALS GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**9 Non-current assets investments (continued)**

<b>Subsidiary undertakings</b>	<b>Registered office</b>	<b>Principal activity</b>
Shire Finance Limited	8	Dormant
Shire Holdings Limited	9	Dormant
Sparkleflame Limited	1	Dormant
<i>Indirect ownership</i>		
Shire Holdings Europe Limited	1	Holding company
Shire France S.A.S	2	Marketing and distribution of pharmaceuticals
Shire UK Investments Limited	1	Dormant
Shire Pharmaceuticals Investments 2007 UC	3	Dormant
Shire 2005 Investments Limited	8	Marketing and distribution of pharmaceuticals
Shire Europe Finance	1	Holding company
Shire Global Finance	1	Provision of treasury, cash management and banking services to Group companies
Shire Incorporated	10	Holding company
Shire Properties US**	5	Warehouse Management
Shire Pharmaceutical Investment Holdings Limited*	6	In Liquidation
Shire Pharmaceutical Investment Limited*	6	In Liquidation
Shire Holdings Ireland UC	3	Dormant
Shire Human Genetic Therapies Limited	1	Dormant

\* The company owns less than 0.1% of the issued share capital.

\*\* The company owns 1% of the issued share capital.

<sup>1</sup> The registered office of the subsidiaries is 1 Kingdom Street, London, W2 6BD, United Kingdom.

<sup>2</sup> The registered office of the subsidiary is 112 avenue Kléber, 75116 Paris, France.

<sup>3</sup> The registered office of the subsidiaries is Block 2, Miesian Plaza, 50-58 Baggot Street Lower, Dublin 2, Ireland.

<sup>5</sup> The registered office of the subsidiary is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington DE 19808, United States

<sup>6</sup> The registered office of the subsidiaries is 167, Merchants Street, Valletta, Malta.

<sup>8</sup> The registered office of the subsidiaries is Maples Corporate Services Limited, PO Box 309G/T, Ugland House, South Church Street, George Town, Grand Cayman, KY1 1104, Cayman Islands.

<sup>9</sup> The registered office of the subsidiary is H.P. House, 21 Laffan Street, Hamilton HM 09, Bermuda.

<sup>10</sup> The registered office of the subsidiary is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States

**SHIRE PHARMACEUTICALS GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

10	<b>Debtors</b>	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
	Amounts due from Group undertakings	65,405	48,675
	VAT	987	2,540
	Other debtors	1,137	1,598
	Prepayments and accrued income	2,385	1,580
	Deferred tax assets (note 14)	6,048	6,896
		<u>75,962</u>	<u>61,289</u>

Included within amounts due from Group undertakings are trade receivables and other debtors with Group entities. These are issued under the Company's usual credit terms.

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

	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
Other debtors	536	959
Deferred tax assets (note 14)	6,048	6,896
	<u>6,584</u>	<u>7,855</u>

11	<b>Creditors: amounts falling due within one year</b>	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
	Trade creditors	4,083	374
	Amounts owed to Group undertakings	78,467	10,891
	Accruals and deferred income	11,907	24,531
		<u>94,457</u>	<u>35,796</u>

Included within amounts owed to Group undertakings are amounts relating to trade payables and other creditors with Group entities. These are payable in line with the Company's usual supplier payment policies.

12	<b>Creditors: amounts falling due after more than one year</b>	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
	Amounts owed to Group undertakings	63,963	92,871
	Other creditors	2,973	2,594
		<u>66,936</u>	<u>95,465</u>

Included within amounts owed to Group undertakings are amounts denominated in US Dollars and bear interest at a variable rate. At 31 December 2018, interest of \$2,347,000 (2017: \$2,427,000) is accrued but unpaid on these amounts and included within amounts falling due within one year.

**SHIRE PHARMACEUTICALS GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

<b>13</b>	<b>Provisions for liabilities</b>		
		<b>National Insurance on share awards \$'000</b>	<b>Total \$'000</b>
	As at 1 January 2018	207	207
	Debit to the Statement of Comprehensive Income	147	147
	As at 31 December 2018	354	354

*National insurance on share awards*

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 £40.97 (2017: £39.08). The provision is expected to be settled within one to seven years.

<b>14</b>	<b>Deferred taxation</b>	<b>2018 \$'000</b>
	As at 1 January 2018	(6,896)
	Charge to the Statement of Comprehensive Income	848
	As at 31 December 2018	(6,048)

The major deferred tax assets recognised by the Company are:

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Decelerated capital allowances	(5,565)	(6,451)
Tax losses	(483)	(445)
	(6,048)	(6,896)

Deferred tax assets have been recognised in respect of decelerated capital allowances and short-term timing differences as the Company believes that it is more likely than not that the Company will have future taxable profits.

The Company has an unrecognised deferred tax asset of \$5,087,000 (2017: \$5,566,000) in respect of taxable capital losses.

# SHIRE PHARMACEUTICALS GROUP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

<b>15</b>	<b>Called up share capital and reserves</b>				
	<b>Called up share capital</b>				
		<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
		<b>No</b>	<b>\$'000</b>	<b>No</b>	<b>\$'000</b>
	<b>Allotted, issued and fully paid</b>				
	Ordinary shares of 0.01p each	496,520,328	86	496,520,328	86

*Ordinary share rights*

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

**Reserves**

*Share premium account*

Consideration received for shares issued above their nominal value net of transaction costs.

*Capital redemption reserve*

The nominal value of shares repurchased and still held at the end of the reporting period.

*Other capital reserves*

Non distributable reserve, principally relating to share option transactions effected prior to 1998.

*Capital contribution reserve*

The capital contribution reserve represents capital contributions received by the Company from its immediate parent undertaking which are unconditional and non-refundable.

*Foreign exchange reserve*

The foreign exchange reserve represents the foreign exchange loss resulting from a historic change in the functional and presentational currency of the Company. Balances in this reserve are non-distributable.

*Profit and loss account*

Cumulative profit and loss net of distributions to owners.

**16** **Commitments under operating leases**

The total future minimum lease payments under non-cancellable operating lease agreements are as follows:

	<b>Property</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Amounts due:		
Within one year	2,302	2,220
Between one and five years	9,210	8,880
After five years	10,409	12,256
	21,921	23,256

The operating leases represent leases on property occupied by the Company.

# SHIRE PHARMACEUTICALS GROUP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 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 \$685,000 (2017: \$712,000). Contributions totalling \$nil (2017: \$nil) were payable to the fund at the year end and are included in creditors.

### 18 Share based payments

#### *Group share based payment arrangements*

The Company participated in group share-based payment arrangements until 8<sup>th</sup> 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.



# SHIRE PHARMACEUTICALS GROUP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 18 Share based payments (continued)

##### *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.

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

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