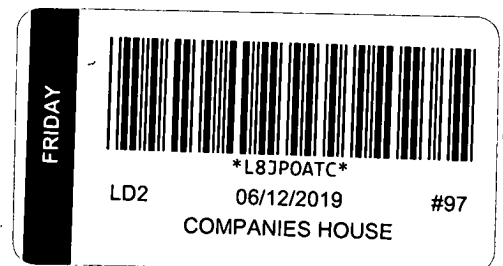


Company Registration No. 05268420

Eisai Europe Limited

Report and Financial Statements

For the year ended 31 March 2019



Eisai Europe Limited

Report and financial statements for the year ended 31 March 2019

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Eisai Europe Limited

Report and financial statements for the year ended 31 March 2019

Officers and professional advisers

Directors

G Hendler
E Archer
N Burgin
K Masano
T Asano

Secretary

S Thomas

Registered Office

European Knowledge Centre
Mosquito Way
Hatfield
Hertfordshire
England
AL10 9SN
UK

Eisai Europe Limited is a private company limited by shares.

Bankers

Bank of Tokyo-Mitsubishi Ltd
London Branch
Finsbury Circus House
12-15 Finsbury Circus
London
EC2M 7BT

Deutsche Bank AG, London
1 Great Winchester Street
London
EC2N 2DB

Auditor

Deloitte LLP
Statutory Auditor
London

Eisai Europe Limited

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

The company is a wholly-owned subsidiary of Eisai Co., Ltd (ECL), a company registered in Japan, and operates as the parent company's European and Middle Eastern (EMEA) office. From 1 April 2013 the company is also operating in Russia and the Oceania region with focus on Australia and New Zealand.

The principal activities of the Eisai Europe Limited group are the manufacturing, marketing and distribution of pharmaceutical products via its European operating companies and conducting pharmaceutical research and clinical development.

Eisai's corporate philosophy reflects our commitment to business activities aiming to increase the benefits to patients, their families, and consumers, who we clearly recognize as the key players in healthcare. This corporate philosophy is summarized by the term "*hhc (human health care)*."

Results and Business review

The profit for the year is £ 31,700,000 (2018: £16,804,000).

The key strategy of EMEA in 2018 was one of investment to drive growth by increasing market share and associated sales revenue in the strategic brands. These brands represent over 68% of the commercial revenue for the group and are the key drivers for future growth and sustainability and as such have a high degree of strategic commercial focus and activity throughout all business functions within the EMEA organisation.

The strategic brands cover two key therapeutic areas, Epilepsy (NBG) key strategic brands being Fycompa, Zebinix and Inovelon and Oncology (OBG) key strategic brands being Halaven and Lenvima.

Sales growth in the strategic brands was driven through a combination of organic market share growth, market growth due to new indication reimbursement and continued geographic growth within the developing markets.

The commercial organisation expanded headcount by 51 roles which were focused primarily on Lenvima to drive growth in conjunction with the collaboration with Merck.

Epilepsy (NBG):

Fycompa (perampanel) sales grew by 15% in value terms in 2018 and 27% in volume terms. Fycompa reached its highest sales since launch of €47.8m in FY18 and remains the largest brand in the epilepsy portfolio. Germany after the relaunch in December 2017 had excellent growth of 340% volume growth versus the previous year, reaching over 7,000 patients. The successful inclusion of Fycompa on the EDL and ONLS in Russia from January 17 drove continued strong growth in volume within 2018 of 101% representing the wider access to patients that listing and reimbursement brings.

Zebinix (Exalief in Russia) had strong growth in 2018, growing by 19% overall. All markets, with the exception of Italy which suffered price erosion, showed double digit growth, the best performance in a number of years. Germany, the Nordics and the UK had their best performance since launch, driven by a combination of positive market performance and a reduction in cross-border trade. Spain continues to show strong growth of 23% which is a reflection of the strong market position of Eisai epilepsy products within the Spanish market, also reflected in the strong revenue proportion of Spain which contributed 57% of Zebinix sales of EMEA in FY18.

Zonegran (zonisamide) now in its fourth year after losing patent exclusivity, declined by 7% which was a lower decline than anticipated, this indicates the erosion due to patent loss has stabilised. The epilepsy therapeutic area tends to have a lower level of erosion after LOE than general due to the reticence of physicians to change therapies from the branded to the generic product.

Inovelon (rufinamide) was designated an orphan medicine on 20 October 2004. Inovelon was withdrawn from the Community register of orphan medicinal products in January 2019 at the end of the 12-year period of market exclusivity. Overall there has been no generic entry for rufinamide to date and sales grew overall by 5% in 2018.

Eisai Europe Limited

Strategic report

Oncology (OBG):

Halaven (eribulin) grew in financial year 2018 by 7% in value and 10% in volume. With 2017 the market position of Halaven was impacted by the entry of Ibrance (palbociclib) a CDK 4/6 inhibitors which meant that Halaven was administered later in the treatment pathway. The strategy of Halaven in the market continued to be adapted within 2017 and 2018 to account for the change in the market conditions resulting in a return to growth from Halaven in 2018.

Russia as one of the strategic development regions of EMEA, performed extremely strongly with a volume growth of 60% with the continued positive impact from the EDL listing.

Italy after receiving reimbursement of all three indications (FOPC, F^oPC and STS) in October 17 had a strong growth of 16% in volume. France had growth of 6% and the continued listing of Halaven on the List-en-sus was confirmed in January 18.

Overall Halaven sales reached the highest in EMEA history at €99.1m for FY18.

Lenvima (Lenvatinib) grew in financial year 2018 by 38% in value and 54% in volume. 2018 was the first full year of the collaboration partnership with Merck.

Continued investment and the launch of the HCC indication in Germany, UK and Nordics in the second half of 2018 drove continued growth. The differential between the higher volume growth and the value growth represents the pricing erosion in the markets which is an expected factor in EMEA as products move further down their life cycle. This was more than compensated by the strong volume growth in all markets.

Kispilyx (Lenvatinib) for the indication of renal cell carcinoma grew by 94%.

Targretin which is in its thirds year after losing patent exclusivity had a much stronger year than expected with a zero decline in value, with sales matching those of FY17 at €18m.

Future prospects and developments

Eisai has a strong pipeline of new indications for current and future products within several therapeutic areas. We expect to see the benefits of this in 2019 and onwards.

The pipeline covers a number of therapeutic areas with 11 new indications targeted with the Lenvima (Eisai) and Keytruda (Merck) combination therapies. The pipeline also covers a number of early stage and later developments in dementia treatment which is good opportunity to treat a currently unmet medical need for patients and families.

There have been a number of recent developments in the dementia pipeline which are detailed in the subsequent paragraphs.

On 21st March 2019 Biogen (Nasdaq: BIIB) and Eisai, Co., Ltd. (Tokyo, Japan) announced the decision to discontinue the global Phase 3 trials, ENGAGE and EMERGE, designed to evaluate the efficacy and safety of aducanumab in patients with mild cognitive impairment due to Alzheimer's disease and mild Alzheimer's disease dementia. The decision to stop the trials is based on results of a futility analysis conducted by an independent data monitoring committee, which indicated the trials were unlikely to meet their primary endpoint upon completion. The recommendation to stop the studies was not based on safety concerns.

On March 22nd, 2019, Eisai Co., Ltd. (Headquarters: Tokyo, CEO: Haruo Naito, "Eisai") announced that a global Phase III clinical study (Clarity AD/Study 301) of BAN2401, an anti-amyloid beta protofibril antibody, in patients with early Alzheimer's disease has been initiated. BAN2401 is being jointly developed by Eisai and Biogen Inc. (Headquarters: Cambridge, Massachusetts, United States, "Biogen").

Eisai aims to create innovative medicines for Alzheimer's disease as soon as possible in order to further contribute to addressing the unmet medical needs of, as well as potentially increasing the benefits provided to, patients and their families.

On September 13th, 2019 Eisai Co., Ltd. (Headquarters: Tokyo, CEO: Haruo Naito, "Eisai") and Biogen Inc. (Nasdaq: BIIB, Corporate headquarters: Cambridge, Massachusetts, CEO: Michel Vounatsos, "Biogen") announced the decision to discontinue the Phase III clinical studies (MISSION AD1, AD2) on the investigational oral BACE (beta amyloid cleaving enzyme) inhibitor elenbecestat (development code: E2609) in patients with early Alzheimer's disease (AD). The decision is based on the results of a safety review conducted by the Data Safety Monitoring Board

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Strategic report

(DSMB), which recommended to discontinue these trials due to an unfavourable risk-benefit ratio. Detailed data of these studies will be presented at future medical meetings.

On October 22nd 2019, Biogen and Eisai announced that, after consulting with the U.S. Food and Drug Administration (FDA), Biogen plans to pursue regulatory approval for aducanumab, an investigational treatment for early Alzheimer's Disease (AD). The Phase III EMERGE Study met its primary endpoint showing a significant reduction in clinical decline, and Biogen believes that results from a subset of patients in the Phase III ENGAGE Study who received sufficient exposure to high dose aducanumab support the findings from EMERGE. Patients who received high dose aducanumab experienced significant benefits on measures of cognition and function such as memory, orientation, and language

These results as well as the data from BAN2401's Phase II clinical trial underscores Eisai's confidence in amyloid as a potential therapeutic target for the disease modification of Alzheimer's Disease. Eisai and Biogen plan to submit a Biologics License Application for Aducanumab in early 2020 and in other regions thereafter.

Eisai Corporation announced a strategic alliance deal with Merck Sharp and Dohme (Merck) on the 7th March 2018: Both companies to Jointly Develop and Commercialize LENVIMA, as Monotherapy and in Combination with Merck's KEYTRUDA® (pembrolizumab) for Multiple Cancer Types.

There is strong scientific evidence supporting the synergistic benefits of Keytruda (Merck) when used with Lenvima (Eisai). These developments are anticipated to drive material incremental sales revenue.

Eisai will continue to book the sales for Lenvima with the gross profits and commercialisation and development costs shared equally by both companies.

The IP Licence for Lenvima has been assigned to Eisai Manufacturing Limited. R&D expenses incurred by Eisai globally will be recharged to Eisai Manufacturing Limited from the above date. In consideration for future R&D expenses Eisai Manufacturing Limited received an upfront R&D payment of USD 450 million from Merck. This resulted in a material positive cash flow of USD 450m into Eisai Manufacturing Limited in March FY18. This had minimal P&L impact as this was recorded as advances received on the balance sheet as this related to future R&D expense to be incurred by Eisai Manufacturing Ltd.

In addition to the R&D one time income and future expenses, expenses for the net profit share due to Merck will be expensed through Eisai Manufacturing Limited. Eisai Manufacturing Limited will receive income through transactions of Lenvatinib sales both through Eisai entities and through direct sales to Merck in the future.

Brexit

On 29 March 2017, the UK government triggered Article 50 which officially started the process of withdrawing the UK from the European Union (EU). The detailed tax implications of Brexit are dependent on the outcome of negotiations between the UK and EU, and are therefore currently unknown. However, we continue to work closely with the industry partners to analyse the potential implications for the industry in order to highlight key focus areas for the Government as part of its Brexit negotiations.

The Group's planning for Brexit has included the establishment of a central committee and several sub-committees for each business stream. Each business stream has analysed the risks and reports to the committee.

The group has identified that the principle risk to the business related to Brexit will be a disruption in the supply of medicines to our patients.

All sub-groups continuously evaluate the risk of Brexit to their functions and report back to the central committee with the key risk remaining as the disruption in the supply of medicines to our patients

The impact from Brexit remains uncertain, however the group has taken the approach of planning for a hard Brexit and has put in changes to operational process to mitigate this risk.

Operational contingency plans are being put in place to ensure a continuous and uninterrupted supply of medicines for patients post Brexit and the Group has developed three key strategies as part of this planning:

- Transfer its centralised marketing authorisations from the UK to its Frankfurt, German office.
- Establish its medicines testing and product storage facilities in Antwerp, Belgium.

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Strategic report

- Execute a strategy of increased stock build in the EU to mitigate potential disruption of product distribution from the UK to the EU.

The Group currently benefits from the EU Parent Subsidiary Directive to enable the payment of dividends from the European subsidiaries to Eisai Europe Limited exempt from dividend withholding tax (WHT). After the UK withdraws from the EU the Group anticipates benefiting from reduced rates of WHT under the UK's tax treaty network. Not all the relevant treaties reduce the rate of WHT to zero percent which could result in additional cash tax arising as profits are distributed up the Group. The rates for the key European jurisdictions are discussed in Note 18.

Manufacturing

Eisai Manufacturing Limited will continue to be the company's 'Packaging Centre of Excellence' and is investing in serialisation technology to support the global efforts of meeting the evolving legislation and prevent counterfeit products in the market.

Packaging of the existing product portfolio Aricept, Zonegran, Fycompa, Inovelon (tablets and oral suspension), Pariet, Lenvima and Halaven will continue, as will manufacturing and global supply (excluding Japan) of Fycompa, Aricept for the EU, Zonegran for the EU and US. Further to the products already commercially available, Eisai Manufacturing Limited is the nominated site for additional transfers and new product introductions as follows:

- Lemborexant (HAND): this will be submitted for a US and Japan NDA in FY2018. Activities at EML will progress from development/clinical supply to ensure Commercial Supply readiness.
- Aricept bulk supply to the United States of America: Process Validation and Stability Studies will be initiated in FY2018.
- Doptelet (Avotombopag/AKR501): packaging for EU markets will commence in FY2018/19. This will be undertaken on behalf of Dova, the company to whom the product was divested.
- BEAM: EML will pack BEAM, a development product for Dementia, for stability studies in FY2018.

The Supply Chain group continues to manage CMOs for the supply of Prialt, Panretin, Targretin and Neurobloc into Europe. Neurobloc and Prialt were divested in 2018.

Principal risks and uncertainties

Risk factors associated with our business include, but are not limited to:

- challenges arising out of regional expansion, in particular into Central and Eastern Europe and Russia;
- uncertainties in new drug development;
- risks related to strategic alliances with partners;
- intensified competition from generic drugs;
- preservation of intellectual property;
- possible incidence of adverse events;
- safety issue of raw materials used;
- outsourcing-related risks;
- environment issues;
- IT security/information management;
- conditions of financial markets;
- foreign exchange fluctuations;
- R&D; and
- any deficiencies in the internal control system.

Eisai Europe Limited

Strategic report

Financial risk management

The Group is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the business and the assets and liabilities contained within the company's statement of financial position, the financial risks the directors consider relevant to this Group are price risk, credit risks, liquidity risk, cash flow, and currency risk (see Note 3).

Price risk

Prices have dropped and a large proportion of sales for some products have been replaced by supplies from generic houses. Adjustments in the organisational structure have been made to reduce the impact of these events.

The impact of Europe's ongoing austerity measures will further increase the pressure on the cost of healthcare resulting in mandatory price cuts that have a domino effect through the widely introduced European reference pricing system.

Eisai Europe Limited affiliates make profits in line with the Group's transfer pricing policy.

Credit risk

The Group is exposed to credit risk on financial assets, such as cash balances (including deposits and cash and cash equivalents), derivative instruments, trade and other receivables. The Group's credit risk is primarily attributable to its investments. The investments are managed by assigning and monitoring limits against each counterparty. A significant amount of the funds are invested in AAA rated money market liquidity funds. See Note 25.

Trade and other receivable amounts presented in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. There were no other significant concentrations of financial credit risk at the reporting date.

Liquidity risk

Liquidity risk is eliminated within the Group by a loan agreement whereby the company will make a loan to the subsidiary if required in the short term. In the long term the company may consider injecting additional capital into the subsidiary.

Cash flow risk

The Group's acid test ratio as of 31 March 2019 was 2.44 (2018: 2.41). This increase is attributable to an overall increase in the Group's working capital position over the prior year which is primarily attributed to the 143% increase in cash (This was predominately attributed to the injection of cash to support the strategic alliance with Merck for the worldwide co-development and co-commercialisation of Lenvima). As in previous years, the Group funded all prior year commitments and current obligations from cash in hand. See Note 15.

Currency risk

Currency risk is eliminated within the Group by the use of derivative financial instruments – see Note 3.

Eisai Europe Limited

Strategic report

Key performance indicators

EMEA monitors its business based on a number of KPI's both for financial and non-financial metrics.

Financial KPI's are applied throughout all regions for measuring sales and operating income performance versus both the budget and the previous year. Financial integrity is measured based on the growth of gross margin versus the growth in the expense base. The Cash Conversion Cycle is monitored at the EMEA level reporting on DSO, DIO and DPO metrics.

The business performance as detailed in results and business review was strong in FY18, with double digit growth on the sales, the KPI's for FY18 reflect this positive business performance.

The KPI quantified KPI measurements reported for FY18 were as follows:

Gross Margin v PY 108 points, SG&A v PY 108 points, overall financial integrity achieved.

Sales were 111 points versus the prior year, with **operating profit at 107 points**.

CCC at March 19 was *237 days*, with *DSO of 67 days, DIO of 197 days and DPO of 30 days*. This is comparable to a CCC at March 18 of *232 days*. This was an increase of 5 days due primarily to an increase in DIO which was driven by the strategy and resultant operational plan to increase stock in the EU as a risk mitigation measure to Brexit.

Commercial KPI's are applied to measure market share growth versus competitors, market share change between time periods and patient numbers. In additional cross-border trade is monitored by region and brand.

Controlled document KPI's are applied across EMEA to measure the level of completion of all departments against the required training requirements.

Human Resources KPI's are applied to report headcount numbers and retention rates.

Environmental KPI's are reviewed every 6 months at the EKC's Executive EHS review committee. These measure:

* **Significant environmental Incidents:** Reviewed as part of our Incident reporting KPI's include Root cause analysis and actions to prevent a reoccurrence

* **Electricity / Gas Consumption (inc. CO2 emissions):** This drives our compliance to CRC legislation and also feeds into our site environmental plan each year for reducing energy consumption

* **Waste Statistics:** Helps in ensuring our 0% to landfill and promoting waste initiatives / improving recycling

Manufacturing Operations KPI's measure:

* **Monthly Internal KPIs to ensure the key priorities of the business are met:**

Safety: Number of near miss reports raised. These are encouraged to ensure that actions may be taken to prevent an accident/injury.

Quality: Batch right first time (measure of deviations against production volume).

Customer Service: Orders delivered on time in full

Cost & Continuous Improvement: Performance to business plan and a measure of improvements ideas raised/completed.

* **Quality Metrics (Monthly with Quarterly Management Review)**

Training

Complaints

CAPA Closure performance

Change Control Performance

Eisai Europe Limited

Strategic report

Key performance indicators (continued)

* Monthly Corporate KPIs

Production delay related to Stock out/Sales adjustment

Production amount

Disposal loss (batch rejection, etc.)

Critical deviation related to disposal

Critical complaint related to recall

Lost worktime injury

* EHS (Every 6 weeks)

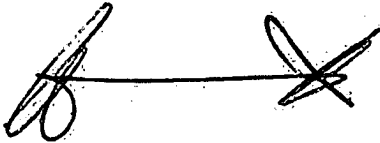
Training hours

CAPA metrics

Events after the balance sheet date

There are no events after the balance sheet date and up to the date the financial statements are authorised for issue.

Approved by the Board of Directors
and signed on behalf of the Board



Gary Hendler
Director

4 December 2019

Eisai Europe Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2019.

In accordance with the Companies Act 2006, the directors have chosen to set out information about the following items in the strategic report section of these financial statements on pages 2 to 8:

- Indication of future developments;
- Research and development activities; and
- Use of financial instruments.

Dividends

The directors do not recommend the payment of a dividend (2018: £nil).

Going concern

The Group is able to source funding from its cash pooling system and has adequate resources to continue in operational existence for the foreseeable future. The Group's investment in Eisai Manufacturing Limited's expansion confirms the long-term strategy of the company. The financial statements have therefore been prepared on the going concern basis.

Further details regarding the adoption of the going concern basis can be found in the Significant accounting policies in the notes to the financial statements.

There are no branches outside of the UK.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the company's activities. Initiatives designed to minimise the company's impact on the environment include recycling of waste paper and obsolete office equipment, reducing energy consumption and encouraging the purchase of environment-friendly office supplies whenever possible.

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors are predominantly amounts owing to Eisai Group companies and payable after 90 days.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees

Details of the number of employees and related costs can be found in note 9 to the financial statements.

The company participates in the Group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters. Employees are consulted regularly on a wide range of matters affecting their interests.

Eisai Europe Limited

Directors' report (continued)

Directors

The following directors served throughout the year and subsequently (except as noted):

Gary Hendler
Nick Burgin
Kazuhiko Masano (resigned 1 April 2019)
Elaine Archer
Toshitaka Asano

None of the directors held any material interests in the shares of the company or other Group companies during the year.

Director's indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the end of this report.

Donations

In pursuit of its corporate philosophy, the Group engages in diverse social contribution activities, primarily activities that promote progress in medical science. Such contributions include: sponsorship of an annual program to award healthcare professionals who have dedicated their lives to medical or care services under challenging environments; assistance to encourage natural science research and knowledge dissemination related to human diseases and their remedies; promotion of interdisciplinary healthcare study including health economics; and development of young researchers.

During the year the Group made donations of £ 212,000 (2018: £116,000) for charitable purposes. The Group made no political donations in the year (2018: £nil).

Auditor

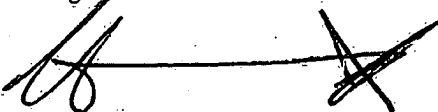
Each of the persons who is a director at the date of approval of this report confirms that:

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

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an AGM.

Approved by the Board of Directors
and signed on behalf of the Board



Gary Hendler
Director

4 December 2019

Eisai Europe Limited

Directors' responsibilities statement

The directors are responsible for preparing the 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

Eisai Europe Limited

Independent auditor's report to the members of Eisai Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Eisai Europe Ltd (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent 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 group's or the parent 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.

Eisai Europe Limited

Independent auditor's report to the members of Eisai Europe Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic 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.

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 group's and the parent 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 group or the parent 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 year 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.

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

Eisai Europe Limited

Independent auditor's report to the members of Eisai Europe Limited (continued)

Matters on which we are required to report by exception

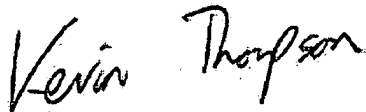
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Kevin Thompson
For and on behalf of Deloitte LLP
Statutory Auditor
London, England

4 December 2019

Eisai Europe Limited

Consolidated income statement Year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Revenue	4	405,963	342,643
Cost of sales		<u>(181,348)</u>	<u>(135,058)</u>
Gross profit		224,615	207,585
Operating expenses		(191,071)	(186,561)
(Loss)/Gain on sale of tangible fixed assets		<u>(17)</u>	<u>(13)</u>
Operating profit	5	33,527	21,011
Finance income	7	9,287	1,005
Finance expense	7	<u>(106)</u>	<u>(67)</u>
Profit on ordinary activities before taxation		42,708	21,949
Tax on profit on ordinary activities	8	<u>(11,008)</u>	<u>(5,145)</u>
Profit for the year from continuing operations		<u>31,700</u>	<u>16,804</u>

Eisai Europe Limited

Consolidated statement of comprehensive income Year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Profit for the financial year		31,700	16,804
Currency translation difference on foreign currency net investments	19	(2,068)	1,303
Actuarial remeasurement of defined benefit pension scheme	21	175	141
Other comprehensive income		(1,893)	1,444
Total comprehensive income for the year		<u>29,807</u>	<u>18,248</u>

There is no tax relating to components of other comprehensive income.

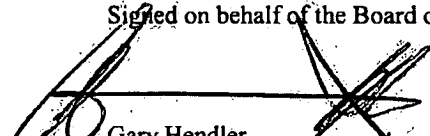
Eisai Europe Limited

Consolidated statement of financial position 31 March 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Sales rights, trademarks and software	11	25,646	37,714
Goodwill	11	7,796	8,061
		<u>33,442</u>	<u>45,775</u>
Intangible assets			
Tangible assets	12	85,717	88,988
Investments held as financial fixed assets	13	47	48
Other investments	13	6,640	6,691
Deferred tax asset	18	14,846	12,903
		<u>140,692</u>	<u>154,405</u>
Current assets			
Stocks	14	72,996	65,083
Trade and other receivables	15	156,816	77,897
Current tax receivable	15	2,618	4,070
Derivative financial instruments	26	396	216
Cash at bank and in hand	15	597,713	545,586
		<u>830,539</u>	<u>692,852</u>
Current liabilities			
Trade and other payables	16	(509,595)	(154,358)
Current tax payable	16	(4,277)	(1,091)
Derivative financial instruments	26	(423)	(236)
Provisions	17	(5,349)	(7,304)
		<u>310,895</u>	<u>529,863</u>
Net current assets			
		<u>451,587</u>	<u>684,268</u>
Total assets less current liabilities			
Non-current liabilities			
Deposits and other payables	16	-	(263,475)
Provisions for liabilities	17	(3,769)	(3,475)
Deferred tax liability	18	(3,605)	(2,912)
		<u>444,213</u>	<u>414,406</u>
Net assets			
Capital and reserves			
Called up share capital	19	184,138	184,138
Foreign currency revaluation reserve	19	23,156	25,224
Merger reserve	19	19,227	19,227
Retained earnings		217,692	185,817
		<u>444,213</u>	<u>414,406</u>
Shareholders' funds			

The financial statements of Eisai Europe Limited (registered number 05268420) were approved by the Board of Directors on 4 December 2019.

Signed on behalf of the Board of Directors


Gary Hendler
Director

Eisai Europe Limited


Company statement of financial position 31 March 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Sales rights, trademarks and software	11	25,068	37,017
Tangible assets	12	42,256	43,446
Investments held as fixed assets	13	127,362	126,132
Other investments	13	6,585	6,596
Deferred tax asset	18	521	511
		<u>201,792</u>	<u>213,702</u>
Current assets			
Stocks	14	414	506
Debtors	15	27,683	22,043
Cash at bank and in hand	15	293,107	170,510
Derivative financial instruments	26	175	299
		<u>321,379</u>	<u>193,358</u>
Derivative financial instruments	26	-	(452)
Other current liabilities	16	(243,175)	(135,013)
		<u>78,204</u>	<u>57,893</u>
Net current assets		<u>279,996</u>	<u>271,595</u>
Non-current liabilities			
Deferred tax liability	18	(521)	(511)
		<u>(521)</u>	<u>(511)</u>
Net assets		<u>279,475</u>	<u>271,084</u>
Capital and reserves			
Called up share capital	19	184,138	184,138
Retained earnings		95,337	86,946
		<u>279,475</u>	<u>271,084</u>
Shareholders' funds		<u>279,475</u>	<u>271,084</u>

The profit for the financial year dealt with in the financial statements of the parent Company was £8,391,000 (2018: £16,376,000). See note 10.

The financial statements of Eisai Europe Limited (registered number 05268420) were approved by the Board of Directors on 4 December 2019.

Signed on behalf of the Board of Directors


 Gary Hendler
 Director

Eisai Europe Limited

Consolidated statement of changes in equity For the year ended 31 March 2019

	Share capital £'000	Foreign currency revaluation reserve £'000	Merger reserve £'000	Income statement £'000	Total equity £'000
Balance at 31 March 2017	184,138	23,921	19,227	168,872	396,158
Profit for the year	-	-	-	16,804	16,804
Actuarial remeasurement of defined benefit	-	-	-	141	141
Transfer to foreign currency revaluation reserve from translation	-	1,303	-	-	1,303
Total comprehensive income for year	-	1,303	-	16,945	18,248
Balance at 31 March 2018	184,138	25,224	19,227	185,817	414,406
Profit for the year	-	-	-	31,700	31,700
Actuarial remeasurement of defined benefit	-	-	-	175	175
Transfer to foreign currency revaluation reserve from translation	-	(2,068)	-	-	(2,068)
Total comprehensive income for year	-	(2,068)	-	31,875	29,807
Balance at 31 March 2019	184,138	23,156	19,227	217,692	444,213

Eisai Europe Limited

Company statement of changes in equity For the year ended 31 March 2019

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2017	184,138	70,570	254,708
Total comprehensive income for year	-	16,376	16,376
Balance at 31 March 2018	184,138	86,946	271,084
Total comprehensive income for year	-	8,391	8,391
Balance at 31 March 2019	184,138	95,337	279,475

Eisai Europe Limited

Consolidated statement of cash flow For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Net cash inflow from operating activities	20	49,213	350,218
Investing activities:			
Interest received		8,930	720
Proceeds on disposal of property, plant and equipment		105	214
Transfers of assets from CIP to intangible assets		(45)	(27)
Purchases of property, plant and equipment		(3,630)	(3,706)
Purchases of intangible assets		(720)	(21,363)
Proceeds on sale of Other investments		32	(174)
Decrease in loans to related parties		20	(6,562)
Net cash used in investing activities		4,692	(30,898)
Net increase in cash and cash equivalents		53,905	319,320
Cash and cash equivalents at the beginning of the year		545,586	224,974
Effect of foreign exchange rates changes		(1,778)	1,292
Cash and cash equivalents at the end of the year		597,713	545,586

Eisai Europe Limited

Company statement of cash flow For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Net cash inflow/(outflow) from operating activities	20	106,384	(14,936)
Investing activities:			
Interest received		1,005	302
Proceeds on disposal of property, plant and equipment		2	6
Proceeds on disposal of intangible assets		(2)	-
Purchases of property, plant and equipment		(879)	(1,510)
Purchases of intangible assets		(680)	(21,348)
Other investments		11	(6,596)
Dividends from subsidiaries		8,706	23,721
Net cash from investing activities		8,163	(5,425)
Financing activities:			
Loans issued/(repaid)		8,050	(3,845)
Net cash from financing activities		8,050	(3,845)
Net increase/(decrease) in cash and cash equivalents		122,597	(24,206)
Cash and cash equivalents at the beginning of the year		170,510	194,716
Cash and cash equivalents at the end of the year		293,107	170,510

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

1. General information

Eisai Europe Limited is a company incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1.

2. Adoption of new and revised standards

New and amended IFRS standards that are effective for the current year

Impact of initial application of IFRS 9 *Financial Instruments*

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Group's financial statements are described below.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 April 2018. All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group has reviewed and assessed the Group's existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of

IFRS 9 has had no impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income as regards their classification and measurement.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

The result of the assessment is as follows:

Loans to related parties – The loan is assessed to have a low credit risk.

Trade and other receivables – The Groups applies the simplified approach and assesses lifetime ECL for these assets. These assets are viewed as safe, and the pharmaceutical industry does not suffer from significant bad debt. The application of this standard does not change the impact of credit losses on the Group.

Cash and bank balances – All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking intuitions.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

2. Adoption of new and revised standards (continued)

New and amended IFRS standards that are effective for the current year (continued)

Impact of initial application of IFRS 9 *Financial Instruments* (continued)

c) *Classification and measurement of financial liabilities*

The application of IFRS 9 has had nil impact on the classification and measurement of the Group's financial liabilities.

d) *Disclosure in relation to the initial application of IFRS 9*

The application of IFRS 9 has had no impact on the classification and measurement of financial assets and financial liabilities. The application of IFRS 9 has had no impact on the cash flows of the Group.

Impact of initial application of IFRS 15 *Revenue from Contracts with Customers*

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The previous agent vs principal guidance contained in IAS 18 has been revisited by the Group in light of the revised guidance under IFRS 15 in assessing whether it acts as an agent or as a principal in its major contractual arrangements. As a result of this assessment, the Group concluded that for the Global Strategic Oncology Collaboration for Lenvima with Merck & Co Inc., it is appropriate to move from principal to agency accounting.

This means that all transactions in relation to the collaboration have been netted to a single line within Revenue as Commission (see note 5). These transactions include sales revenue and royalty income from both the ultimate parent undertaking and other group undertakings, offset by cost of sales and administrative expenses specifically in relation to these transactions. Administrative expenses include co-promotion expenses shared with Merck and research and development expenses incurred by Eisai globally which have been recharged to one of the companies within the Group.

The Group's accounting policy for its revenue streams is disclosed in note 3 below.

Impact of initial application of IFRS 16 *Leases*

IFRS 16 has not yet been applied but is applicable for annual reporting periods commencing 1 January 2019 and the Group will first apply IFRS 16 from 1 April 2019. IFRS 16 will have impact on the reported assets, liabilities, income statement and cash flows of the company. A review of the leased and rented assets was undertaken to identify the leases assets. Training was provided to the key stakeholders to ensure the requirements were fully understood. The project was started in July 2017 to ensure the entity was prepared for the date of adoption on 1 April 2019.

IFRS 16 changes how the entity accounts for leases previously classified as operating leases under IAS17, which were off balance sheet.

Applying IFRS 16, for all lease (except as noted below), the entity:

- a) Recognises right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of profit or loss.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

2. Adoption of new and revised standards (continued)

New and revised IFRS Standards in issue but not yet effective (continued)

Impact of initial application of IFRS 16 *Leases* (continued)

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 30 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short term leases (leases term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the statement of profit or loss.

The Group will be applying the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application in accordance with paragraphs IFRS 16 C7-C13.

Therefore the Group will not restate comparative information. Note 28 illustrates the financial impact of the transition to IFRS 16.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 16	<i>Leases</i>
Annual Improvements to IFRS Standards 2015-2017 Cycle	<i>Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Ventures, IAS 12 Income Taxes and IAS 23 Borrowing Costs</i>

3. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Going concern basis

The consolidated financial statement has been prepared on the going concern basis, which assumes that the Group will be able to meet all its obligations as disclosed in the financial statement and from any of the initiatives that the company is currently involved in and committed to. Decisions on expansions and investments in R&D are made on the basis of carefully estimated future returns. The necessary finances are expected to come from ordinary business, parent company capital injection or bank loans as may be required from time to time.

The cash received in advance of USD 450m by Eisai Manufacturing Limited, will ensure that the group has sufficient funding in respect of development expenditure incurred as a result of the Strategic Alliance with Merck.

The directors' assessment of current economic conditions is that they will have no significant adverse impact on the pharmaceutical industry and performance of the company and the Group.

Part of the Group turnover is from research activities, which is derived from costs recharged to the parent as the activities are being funded by the parent company. Research activity budgets are agreed by the parent company on an annual basis and the directors are of the opinion that the parent company will have sufficient resources and will continue to fund and support research activities undertaken by European entities for the foreseeable future.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

3. Accounting policies (continued)

Going concern basis (continued)

The Group operates a strong cash pooling system which provides necessary funding to its subsidiaries and after making enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 March each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Eisai Europe Limited has long-established operating subsidiaries in Business Combinations the UK, France, Germany, Netherlands, Nordic and Spain. Eisai Europe Limited has not applied IFRS 3 retrospectively as allowed by the exemptions provided by IFRS, accordingly the company has continued to use the merger accounting method as applied under UK GAAP.

All other subsidiaries in which the company has made an investment subsequent to the Group reconstruction mentioned above have been accounted for under the acquisition method.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts and has been tested for impairment at that date.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Intangible assets – sales' rights, trademarks and software

Software, sales' rights and trademarks are included at cost and depreciated in equal annual instalments over a period of 3-17 years which is their estimated useful economic life or sales' rights duration. Provision is made for any impairment.

An internally-generated intangible asset arising from the company's internal software development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

3. Accounting policies (continued)

Intangible assets – sales' rights, trademarks and software (continued)

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Amortisation is included within cost of sales and administrative expenses in the income statement.

Depreciation of tangible fixed assets is provided at rates calculated to reduce their cost to estimated realisable value at the end of their anticipated useful lives.

Straight-line depreciation method over the asset's useful lives is used by the Group.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

The annual depreciation rates used in the Group are based on the following estimates of useful life:

Freehold property	10-50 years
Machinery and equipment	4-15 years
Computer hardware	3-5 years
Laboratory equipment	10 years

Impairment of tangible and intangible assets excluding goodwill

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Investments

Investments are held at cost based less provision for impairment in value.

Impairment is measured by comparing the carrying value of investment, with its recoverable amount. Recoverable amount is the higher of net realisable value and value in use.

Research and development

Research and development expenditure is charged to the statement of comprehensive income as it is incurred as the benefits and rights which may arise from such expenditure are owned by the ultimate parent of the Company, Eisai Co Limited.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

3. Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost consists of direct materials and an allocation of direct labour and overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

For manufactured materials, routing labour and machine hours are multiplied by work centre rates which are calculated during the business planning procedure using a cost allocation process. These are added to the bill of materials total. This total value is then divided by the costing lot size to produce a standard cost.

Foreign currency

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pound sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve.

Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Financial instruments and fair value hedging accounting.

Derivative financial instruments are used by the Group to manage currency exposure risk. The principal derivative instruments used are foreign exchange forward contracts. The Group does not hold or issue derivative financial instruments for investment or speculative purposes.

Derivative financial instruments are classified as foreign exchange risks management are carried in the balance sheet at fair value, see note 26.

Changes in the fair value of the Group's derivative instruments are recognised immediately in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Employee benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

3. Accounting policies (continued)

Employee benefit costs (continued)

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Financial instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange rate risk by creating offsetting positions through the use of foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 26 of the financial statements.

The market risk related to the foreign exchange agreements is offset by changes in the valuation of the underlying items being hedged. The Group does not hold or issue derivative financial instruments for trading or speculative purposes. The Group does not apply hedge accounting to these forward contracts and has not designated any of them as hedging instruments. These instruments are designated as fair value through profit or loss (FVTPL). Therefore, unrealised gains and losses resulting from marking these contracts to market are charged to the income statement as a non-operating expense.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Recognition and measurement of expected credit losses results in impairment of loans and receivables. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Certain categories of financial asset are assessed for indicators of impairment at each statement of financial position date. The Group always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

3. Accounting policies (continued)

Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade and other payables are non interest-bearing and are stated at their fair value.

Financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date and are discounted to present value where the effect is material.

Staff leaving indemnity

Staff leaving indemnity costs are determined in accordance with local best practice in France, Austria and Italy. This requires providing a certain percent of salary costs during the year. These amounts are paid to employees upon termination of their employment.

Leases

IFRS 16 *Leases* will be applied from 1 April 2019. The Group will be applying the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application in accordance with paragraphs IFRS 16 C7-C13. Therefore the entity will not restate comparative information. IAS 17 *Leases* has been applied for these financial statements and operating lease rentals are charged to income in equal annual amounts over the lease term.

The Group assesses whether the contract is or contains a lease, at inception of the contract. The lease liability is initially measured at the present value of the lease payments, discounted by using the incremental borrowing rate. This is determined to be the Group credit spread adjusted for the entity specific risk-free rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments, less any lease incentives. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right of use assets compromises initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right of use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. As permitted by IFRS 16 the entity has separated non-lease components and accounted for these directly in the Group's statement of profit and loss.

For the Group IFRS 16 has had a material impact on the car leases and is quantified in Note 28.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

3. Accounting policies (continued)

Revenue

Revenue is recognised in the income statement when goods or services are supplied or made available to external customers against orders received, title and risk of loss is passed to the customer, reliable estimates can be made of relevant deductions and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete.

Turnover represents amounts charged for pharmaceutical products, both domestically and internationally, provided in the normal course of business, net of trade discounts, allowances given, accruals for estimated future rebates and VAT and other sales-related taxes and are recognised on delivery of despatch to customers and title has passed which is the performance obligation under IFRS 15.

Turnover also includes amounts of revenue recognised in respect of recharges of research and development expenditure incurred to the ultimate parent company.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The previous agent vs principal guidance contained in IAS 18 has been revisited by the Group in light of the revised guidance under IFRS 15 in assessing whether it acts as an agent or as a principal in its major contractual arrangements. As a result of this assessment, the Group concluded that for the Global Strategic Oncology Collaboration for Lenvima with Merck & Co Inc., it is appropriate to move from principal to agency accounting.

This means that all transactions in relation to the collaboration have been netted to a single line within Revenue as Commission (see note 4). These transactions include sales revenue and royalty income from both the ultimate parent undertaking and other group undertakings, offset by cost of sales and administrative expenses specifically in relation to these transactions. Administrative expenses include co-promotion expenses shared with Merck and research and development expenses incurred by Eisai globally which have been recharged to one of the companies within the Group. The number presented will fluctuate between inflows and outflows based on the timing of the information available, cumulatively this will reflect a marginal revenue stream.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

3. Accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, 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.

No judgements have been made that have a significant effect on the amounts recognised in these financial statements. There were no critical judgements or estimates made in the year.

4. Turnover

The company derives its revenue from contracts with customers for the transfer of goods and services at a point in time in the revenue streams detailed below

	2019 £'000	2018 £'000
Analysis of turnover (product sales by location of customer):		
UK service income - (R&D) recharge & related party service fees.	94,040	59,844
UK - product sales	22,017	25,646
EMEA - product sales	283,620	257,153
ROW - commission	6,286	-
	<u>405,963</u>	<u>342,643</u>

UK service income (including R&D recharge) are generated in the UK but has an international customer base.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

5. Group operating profit

The group operating profit is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation		
Owned tangible assets	6,761	6,703
Amortisation sales rights, trade-mark and software	12,825	11,881
Loss on disposal property, plant and equipment	17	35
Staff costs	97,508	85,010
Research and development		
Current year expenditure	26,855	31,310
Cost of inventories recognised as expense	181,348	135,058
Write-downs of inventories recognised as expense	879	3,768
Restructuring cost		
Staff cost	355	-
Other cost	-	88
Operating lease charges		
Buildings	2,099	1,527
Vehicles	3,926	3,602
Other	60	52
Foreign Exchange loss	1,379	1,241

6. Auditor's remuneration

The analysis of Auditor's remuneration is as follows:

	2019 £'000	2018 £'000
Fees payable to the company's auditor for the audit of the annual accounts		
Group	466	418
Company	90	87
Total audit fees	556	505
Fees payable to the company's auditor for other services to the Group		
Other taxation advisory services	61	92
Company secretarial services	-	7
Total non-audit fees	61	99

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

7. Finance income

	2019 £'000	2018 £'000
Bank deposit interest	9,280	991
Interest income on pension scheme	7	14
Finance income	<u>9,287</u>	<u>1,005</u>
	2019 £'000	2018 £'000
Bank overdraft and other borrowing	58	21
Interest expense on pension scheme	48	77
Finance expense	<u>106</u>	<u>98</u>

8. Tax on profit on ordinary activities

The tax charge comprises:

	2019 £'000	2018 £'000
Current tax – current year charge		
UK corporation tax	6,898	782
Overseas tax	5,629	6,933
Current tax - prior year adjustment		
UK corporation tax	(26)	168
Overseas tax	50	72
	<u>12,551</u>	<u>7,955</u>
Deferred tax		
Temporary differences, origination and reversal	(1,590)	(2,843)
Effect of change in tax rate	3	(2)
Adjustment in respect of prior years	44	35
	<u>(1,543)</u>	<u>(2,810)</u>
Total tax charge for the year	<u>11,008</u>	<u>5,145</u>

The elements of deferred taxation are shown in note 18 to the accounts.

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19 % (2018: 19%). The actual tax charge/credit for the current and previous year differs from the tax charge/credit at the standard rate for the reasons set out in the reconciliation.

The tax assessed for the period is higher (2018: higher) than that resulting from applying the weighted average standard tax rate: 20.5% (2018: 19.6 %). The charge for the year can be reconciled to the profit per the consolidated income statement at the standard rate as follows:

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

8. Tax on profit on ordinary activities (continued)

Tax charge on profit at weighted average standard rate

	2019 £'000	2018 £'000
Profit before tax	42,708	21,581
Tax charge on profits at standard rate	8,782	4,814
Factors affecting tax charge for the year:		
Tax effect of expenses that are not deductible in determining taxable profit	2,138	581
Tax effect of tax losses not recognised	164	(48)
Effect of change in tax rate	3	(2)
Effect of overseas taxes	(131)	(41)
Prior year adjustments	68	275
Other	(16)	(434)
Tax charge for the year	<u>11,008</u>	<u>5,145</u>

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

9. Information regarding directors and employees

The average monthly number of employees (including executive directors) was:

	Group		Company	
	2019 Number	2018 Number	2019 Number	2018 Number
Office and management	362	362	170	174
Sales and marketing	437	410	27	25
Research	160	155	-	-
Manufacturing	84	85	-	-
	<u>1,043</u>	<u>1,012</u>	<u>197</u>	<u>199</u>

Their aggregate remuneration comprised:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages and salaries	76,685	69,419	17,538	16,069
Social security costs	14,797	14,703	2,422	2,417
Other pension costs	6,026	5,700	2,070	1,940
Restructuring/staff redundancy cost	355	-	-	-
	<u>97,863</u>	<u>89,822</u>	<u>22,030</u>	<u>20,426</u>

Directors' remuneration and transactions

	2019 £'000	2018 £'000
Total directors' short-term employment benefits	2,046	2,318
Total directors' post employment pension benefits	20	25
Total directors' payment for loss of office	-	759
	<u>2,066</u>	<u>3,102</u>

The remuneration of the directors, who are the key management personnel of the Group, is set out above in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

With regards to post employment pension, for each UK nationals who has served as a director of the company at any time during the relevant financial year is entitlement to defined contribution benefits in respect of their qualifying service. Two directors paid into the defined contribution benefit scheme.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

9. Information regarding directors and employees (continued)

Remuneration of the highest paid director

	2019 £'000	2018 £'000
Short-term employment benefits	1,030	1,185
Post employment pension benefits	10	10
	<u>1,040</u>	<u>1,195</u>

The highest paid director is a member of the Group's defined contribution pension scheme and had no accrued entitlements under the scheme at the end of the year.

10. Income statement account of the parent undertaking

As permitted by s408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

11. Intangible fixed assets

The carrying amount of goodwill is entirely allocated to Eisai S.A.S as a cash-generating unit (CGU). Goodwill is reviewed for impairment at least annually, in the current year there are no impairment indicators and thus no impairment was recognised in the profit or loss account.

The trademark intangible asset relates to a distribution licence. The useful life of this asset is seventeen years and the remaining life of this asset is thirteen years.

Group	Sale rights £'000	Trade- marks £'000	Computer software £'000	Software development costs £'000	Total £'000
Cost					
At 31 March 2017	65,638	156	8,270	344	74,408
Additions	21,088	15	-	261	21,364
Disposals – Group	-	(46)	(32)	-	(78)
Transfer from CIP	-	-	130	(103)	27
Translation	48	4	23	-	75
At 31 March 2018	86,774	129	8,391	502	95,796
Additions	-	33	7	680	720
Disposals – Group	-	(68)	(300)	-	(368)
Transfer from CIP	-	-	485	(442)	43
Reclassification	-	-	2	-	2
Translation	(34)	(1)	(15)	-	(50)
At 31 March 2019	86,740	93	8,570	740	96,143
Accumulated amortisation					
At 31 March 2017	38,737	80	7,404	-	46,221
Charge for the year	11,512	48	321	-	11,881
Disposals - Group	-	(46)	(32)	-	(78)
Translation	34	1	23	-	58
At 31 March 2018	50,283	83	7,716	-	58,082
Charge for the year	12,450	35	340	-	12,825
Disposals - Group	-	(68)	(300)	-	(368)
Translation	(28)	(1)	(13)	-	(42)
At 31 March 2019	62,705	49	7,743	-	70,497
Carrying amount					
At 31 March 2019	24,035	44	827	740	25,646
At 31 March 2018	36,491	46	675	502	45,775

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

11. Intangible fixed assets (continued)

Group	Goodwill £'000
Cost	
At 31 March 2017	8,061
Translation	-
At 31 March 2018	8,061
Translation	(265)
At 31 March 2019	7,796
Carrying amount	
At 31 March 2019	7,796
At 31 March 2018	8,061

Company	Sale rights £'000	Computer software £'000	Software development costs £'000	Total £'000
Cost				
At 31 March 2017	63,713	6,888	344	70,945
Additions	21,088	-	261	21,349
Transfer from CIP	-	103	(103)	-
Disposals	-	-	-	-
At 31 March 2018	84,801	6,991	502	92,294
Additions	-	-	680	680
Transfer from CIP	-	442	(442)	-
Reclassification	-	2	-	2
Disposals	-	(172)	-	(172)
At 31 March 2019	84,801	7,263	740	92,804
Accumulated amortisation				
At 31 March 2017	37,383	6,216	-	43,599
Charge for the year	11,409	269	-	11,678
Disposals	-	-	-	-
At 31 March 2018	48,792	6,485	-	55,277
Charge for the year	12,347	284	-	12,631
Disposals	-	(172)	-	(172)
At 31 March 2019	61,139	6,597	-	67,736
Carrying amount				
At 31 March 2019	23,662	666	740	25,068
At 31 March 2018	36,009	506	502	37,017

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

12. Tangible fixed assets

Group	Freehold property £'000	Machinery and equipment £'000	Computer hardware £'000	Laboratory equipment £'000	Construction in progress £'000	Total £'000
At 31 March 2017	109,921	20,594	4,783	7,763	974	144,035
Additions	-	418	117	185	2,986	3,706
Disposals – Group	(9)	(1,329)	(82)	(42)	-	(1,462)
Transfer from CIP	67	1,231	1,477	86	(2,888)	(27)
Other movements	-	-	-	-	(9)	(9)
Translation	(1)	45	(3)	-	-	41
At 31 March 2018	109,978	20,959	6,292	7,992	1,063	146,284
Additions	-	368	41	-	3,221	3,630
Disposals – Group	-	(432)	(5)	(183)	-	(620)
Transfer from CIP	229	507	655	675	(2,109)	(43)
Reclassification	(2)	-	-	-	-	(2)
Other movements	-	3	(47)	(7)	(9)	(60)
Translation	-	(45)	(17)	-	-	(62)
At 31 March 2019	110,205	21,360	6,919	8,477	2,166	149,127
Accumulated depreciation						
At 31 March 2017	29,585	13,341	3,158	5,735	-	51,819
Charge for the year	3,455	1,827	787	635	-	6,704
Disposals – Group	(6)	(1,154)	(81)	(31)	-	(1,272)
Translation	-	45	-	-	-	45
At 31 March 2018	33,034	14,059	3,864	6,339	-	57,296
Charge for the year	3,379	1,891	922	569	-	6,761
Disposals – Group	-	(433)	(2)	(165)	-	(600)
Translation	-	(33)	(14)	-	-	(47)
At 31 March 2019	36,413	15,484	4,770	6,743	-	63,410
Net book value						
At 31 March 2019	73,792	5,876	2,149	1,734	2,166	85,717
At 31 March 2018	76,944	6,900	2,428	1,653	1,063	88,988

At 31 March 2019, the Group had zero contractual commitment for the acquisition of property, plant and equipment (2018: £nil million).

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

12. Tangible fixed assets (continued)

Company	Freehold property £'000	Machinery and equipment £'000	Computer hardware £'000	Construction in progress £'000	Total £'000
Cost					
At 31 March 2017	53,490	1,211	3,917	38	58,656
Additions	-	-	-	1,510	1,510
Transfer from CIP	2	22	1,081	(1,105)	-
Reclassification CIP as non-asset	-	-	-	(5)	(5)
Disposals	(8)	-	(3)	-	(11)
At 31 March 2018	53,484	1,233	4,995	438	60,150
Additions	-	-	-	879	879
Transfer from CIP	114	35	549	(698)	-
Reclassification	(2)	-	-	-	(2)
Disposals	-	(8)	-	-	(8)
At 31 March 2019	53,596	1,260	5,544	619	61,019
Accumulated depreciation					
At 31 March 2017	10,944	1,167	2,618	-	14,729
Charge for the year	1,385	23	573	-	1,981
Eliminated on disposal	(5)	-	(1)	-	(6)
At 31 March 2018	12,324	1,190	3,190	-	16,704
Charge for the year	1,355	23	689	-	2,067
Eliminated on disposal	-	(8)	-	-	(8)
At 31 March 2019	13,679	1,205	3,879	-	18,763
Net book value					
At 31 March 2019	39,917	55	1,665	619	42,256
At 31 March 2018	41,160	43	1,805	438	43,446

At 31 March 2019, the Company had zero contractual commitment for the acquisition of property, plant and equipment (2018: £nil million).

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

13. Investments held as fixed assets

Group	2019 £'000	2018 £'000
Investments held as Financial Fixed Assets		
France - interest in GERS (organisation that provides information on pharma sales in France)	4	3
Capital insurance in Sweden	43	45
	<u>47</u>	<u>48</u>

Company	Country of incorporation and registered office	Class of shares held	Proportion held	2019 £'000	2018 £'000
Eisai Limited, Mosquito Way, AL10 9SN	United Kingdom	Ordinary	100%	35,369	35,369
Eisai GmbH, Lyoner Strasse 36, D-60528 Frankfurt Am Main	Germany	Ordinary	100%	10,045	10,045
Eisai France SAS, 5-6 Place de l'Iris, 92400 Courbevoie	France	Ordinary	100%	13,471	13,471
Eisai BV, Strawinskylaan 1141, Toren C, 11e, 1077 XX Amsterdam	Netherlands	Ordinary	100%	373	373
Eisai Farmaceutica SA, Parque Empresarial' Cristalia Edif 7/8 4 Planta, C/Via de los Poblados,3 28033 Madrid	Spain	Ordinary	100%	2,763	2,763
Eisai S.r.l, Via Giovanni Spadolini, 5 20141 Milano	Italy	Ordinary	100%	2,449	2,449
Eisai Pharma AG, Leutschenbachstrasse 95, 8050 Zurich	Switzerland	Ordinary	100%	6,355	6,355
Eisai AB, Svardvagen 3A, 18233 Danderyd	Sweden	Ordinary	100%	6,473	6,473
Eisai Farmaceutica, Unipessoal, Lda, Edificio 5A, 6 Piso, 2740-245 Porto Salvo.	Portugal	Ordinary	100%	2,674	2,674
Eisai Manufacturing Ltd, Mosquito Way, AL10 9SN	United Kingdom	Ordinary	100%	38,807	38,807
Eisai SA/NV, Brusselsestraat 190, 3000 Leuven	Belgium	Ordinary	100%	4,841	4,841
Eisai Gesmbh, Leonard Bernstein Strase 10, A-1220 Vienna	Austria	Ordinary	100%	3,392	3,392
Eisai Rossiyskaya LLC, Profsouznaya str. 65/1 Moscow 117432	Russia	Ordinary	100%	8,381	8,381
				<u>135,393</u>	<u>135,393</u>

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

13. Investments held as fixed assets (continued)

	£'000
Cost	
At 1 April 2018	135,393
Additions	<u> </u>
At 31 March 2019	<u>135,393</u>
Provision for impairment	
At 1 April 2018	9,260
Decrease in the provision for the period	<u>(1,229)</u>
At 31 March 2019	<u>8,031</u>
Net book value	
At 31 March 2018	<u>126,132</u>
At 31 March 2019	<u>127,362</u>

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

13. Investments held as fixed assets (continued)

The Group tested for impairment by comparing the carrying value of investment, with its recoverable amount. Recoverable amount is the higher of net realisable value and value in use. Following the result of its review, it was established that there has been significant improvement in performance of most its investments. However, it was deemed necessary to provide an impairment provision for Eisai Pharma AG: £1.9m, Eisai SA/NV: £2.7m and Eisai Rossiyskaya LLC: £3.5m, although these provisions were reduced from the prior year due to an improvement in performance.

The core reason why the impairment became necessary for Eisai Pharma AG was as a direct result from the decision made by the board of directors to reduce the surplus of working capital by way of a payment of dividends of £4.4m to Eisai Europe Ltd in 2015 and a further £800K in the prior financial year. Both Eisai SA/NV and Eisai Rossiyskaya LLC are still developing their markets.

Interest in subsidiaries

In the preparation of these consolidated financial statements all subsidiaries within the Group have reported their result in the same reporting period as the Group.

Loans receivable	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Loans to related parties	6,542	6,562	6,542	6,562
Loans to other entities	98	129	43	34
	<u>6,640</u>	<u>6,691</u>	<u>6,585</u>	<u>6,596</u>

The £98k (£43k Company) investment is to be used in connection with the funding of the European Medicines Verification Organisation (EMVO). This is in relation to the Falsified Medicines Directive (Directive 2011/62/EU) and Commission Delegated Regulation (EU) 2016/161. This is a non-profit Euro-Pharmaceutical organisation representing and funded by the European Federation of Pharmaceutical Industries and Associations members (and other medicines stakeholders) to ensure that the EU region has a reliable serialisation and labelling systems for the manufacturers of pharmaceutical products ready by 2019 implementation.

Eisai Europe Limited is expected to contribute €50K over four years. Repayment of loan is expected to be in 2021 and interest earned will be 4% pa. Affiliate contributing companies are expected to have similar terms.

The Group has provided a related party company (Eisai Australia Pty Limited) with long-term loans of AUD 12m at rates comparable to the average commercial rate of interest. The loan provided is to help support the development of the Australian market. Although the repayment agreement is dated for 31 March 2019, it is not expected until sometime in FY2020.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

14. Stocks

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Raw materials	8,954	3,843	-	-
Work-in-progress	19,648	19,080	-	-
Finished goods and goods for resale	44,394	42,160	414	506
	<u>72,996</u>	<u>65,083</u>	<u>414</u>	<u>506</u>

There are no material differences between the statement of financial position value of stocks and their net realisable value.

15. Other financial assets

Trade and other receivables

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade debtors	55,159	50,251	5,813	3,732
Allowance for doubtful debts	(160)	(198)	-	-
Amounts owed by Group undertakings	78,457	15,151	17,529	14,704
Other debtors	17,413	7,749	1,552	976
Prepayments and accrued income	5,947	4,944	2,789	2,631
	<u>156,816</u>	<u>77,897</u>	<u>27,683</u>	<u>22,043</u>

Average credit period taken on sales of goods is 77 days (2018: 57 days).

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group mostly transacts with entities rated the equivalent to investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information, financial reports provided by the prospective customers and its own trading records to rate our customers. Where credit risk for new customers is uncertain, supplies are only made against advanced payments.

Of the trade balances receivable at the end of the year, £8.7m (2018: £9.2m) was due from the Group's three largest customers, representing 16% of total trade receivables. There was no other customer who represented more than 3% of the total balance of trade receivables.

The Group has payment terms of 45 days for non-stock items and 60 days for stock for all parties for the Eisai Group.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

15. Other financial assets (continued)

Ageing of past due but not impaired receivables

	2019 £'000	2018 £'000
30-60 days	1,301	4,502
60-90 days	2,374	91
Over 90 days	1,430	1,467
	<u>5,105</u>	<u>6,060</u>

Included in the Group's trade debtors balance are debtors with a carrying value of £1.4 m (2018: £1.5m) due to late payment. The Group have not provided for the balance as it is considered as fully recoverable and the concentration of credit risk is limited due to the customer base being large and unrelated.

Movement in the allowance for doubtful debts

	2019 £'000	2018 £'000
Balance at the beginning of the period	(198)	(350)
Impairment losses reversed	93	126
Impairment losses recognised	(110)	-
Written off uncollectible	-	27
Translation	55	(1)
	<u>(160)</u>	<u>(198)</u>

Ageing of impaired trade receivables

	2019 £'000	2018 £'000
60-90 days	-	-
90-120 days	-	-
Over 120 days	50	198
	<u>50</u>	<u>198</u>

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds.

Corporation tax recoverable

Group	2019 £'000	2018 £'000
Corporation tax recoverable	<u>2,618</u>	<u>4,070</u>

The company held no tax recoverable amount.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019.

15. Other financial assets (continued)

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Cash and cash equivalents

	2019 £'000	2018 £'000
Group - cash and cash equivalents	597,713	545,586
Company only - cash and cash equivalents	293,107	170,510

16. Trade and other payables

Current

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade creditors	20,202	17,213	6,189	4,670
Amounts owed to Group undertakings	146,926	37,112	226,675	122,265
Accruals	97,211	39,280	9,769	7,549
Other creditors	244,396	60,480	542	529
Other taxation and social security	860	273	-	-
	<u>509,595</u>	<u>154,358</u>	<u>243,175</u>	<u>135,013</u>
Corporation tax payable	4,277	1,091	-	-
	<u>513,872</u>	<u>155,449</u>	<u>243,175</u>	<u>135,013</u>

Non-Current

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Deposit and other payables	-	263,475	-	-

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 41 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

In the prior year the Group had a non-current deposit received from Merck. This was to support its Global Strategic Oncology joint drug development alliance with Eisai, focusing on the worldwide co-development and co-commercialisation of the cancer therapy Lenvima. This deposit has moved to other creditors in the current year and is £236m. This deposit is expected to be repaid within one year.

The Group has payment terms of 45 days for non-stock items and 60 days for stock for all parties for the Eisai Group.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

17. Provisions

Group	Other provision £'000	Employee leaving indemnity £'000	Total £'000
Non-current			
At 1 April 2018	89	3,386	3,475
Foreign exchange adjustment	(3)	(58)	(61)
Additional provision in the year	-	524	524
Utilisation of provision	-	(169)	(169)
At 31 March 2019	<u>86</u>	<u>3,683</u>	<u>3,769</u>

Employee leaving indemnity provision

Employee's leaving indemnity provisions include obligations that is in accordance with local best practice in France, Germany, Austria and Italy. Their benefits reflect a variety of provisions from post-employment pensions, jubilee awards and other long-service benefits.

The post-employment provision of £63k (2018 - £62k) is a Swedish direct pension/capital insurance scheme that is managed by Nordea. It is not due for payment until January 2032 (payable over 4 years from this date).

The provision also includes define benefit pension obligations in France and Germany £2.6m (2018 - £2.4m) see provision "At end of year" in Note 21.

The remaining balance of the employee's indemnity provisions is £0.3 m (2018 - £0.9m) and the expected outflows are currently reducing. However, there is a requirement to provide certain percentage of salary costs during the year. These amounts are paid to employees upon termination of their employment or retirement.

Other provision

Other provision relates to an office dilapidation provision across Europe. This is to ensure that the group meets its obligation to make good any damages which occur to the property during the course of the lease. The lease is expected to end in March 2021.

Current	Restructuring provision £'000	Other provisions £'000	Total £'000
At 1 April 2018	13	7,291	7,304
Foreign exchange adjustment	-	(126)	(126)
Additional provision in the year	-	2,603	2,603
Utilisation of provision	(13)	(4,419)	(4,432)
At 31 March 2019	<u>-</u>	<u>5,349</u>	<u>5,349</u>

Restructuring provision

The restructuring provision relates to the balance of restructuring incurred in the largest European countries in 2017. The prior year number of £13k related to Germany. Germany have now completed the restructuring program. The balance was fully utilised in 2019 as expected.

Other Provision

Included in other provisions is a provision of £5.4m (2018 - £7.2m) relating to Levy Tax obligation in Italy, this is a local regulatory requirement and is expected to be utilised within six months after year end.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

18. Deferred taxation

The following are the deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods:

Group	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Tax losses £'000	Intercompany stock £'000	Other £'000	Total £'000
At 31 March 2017	(5,514)	1,417	4,636	4,226	2,643	7,408
(Charge)/credit to income statement	179	144	(897)	3,070	314	2,810
(Charge)/credit to OCI	-	(48)	-	-	-	(48)
Exchange differences	-	(49)	(171)	6	35	(179)
At 31 March 2018	(5,335)	1,464	3,568	7,302	2,992	9,991
(Charge)/credit to income statement	173	12	(1,061)	3,241	(822)	1,543
(Charge)/credit to OCI	-	(59)	-	-	-	(59)
Exchange differences	-	150	(25)	(4)	(355)	(234)
At 31 March 2019	(5,162)	1,567	2,482	10,539	1,815	11,241

At the statement of financial position date, the Group has unused losses of £22.7m (2018: £26.2 million) available for offset against future profits. A deferred tax asset has been recognised in respect of £14.4m (2018: £17.1 million) of such losses. No deferred tax asset has been recognised in respect of £8.3m (2018: £9.1 million) of such losses due to the unpredictability of future profit streams. The unrecognised losses may be carried forward indefinitely.

Certain deferred tax asset and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £'000	2018 £'000
Deferred tax assets	14,846	12,903
Deferred tax liabilities	(3,605)	(2,912)
	<u>11,241</u>	<u>9,991</u>

The tax implications, which directly affect the Group, are expected to be limited, whereas the potential customs duty and other transactional costs associated with managing imports and exports may be more significant. The Group has consequently developed two key strategies to limit these costs:

- Transfer its centralised marketing authorisations from the UK to its Frankfurt, Germany, office.
- Establish its medicine testing and product storage facilities in Antwerp, Belgium.

Eisai Europe Limited has unremitted earnings in its European subsidiaries, the distribution of which currently benefits from withholding tax (WHT) relief under the EU Parent-Subsidiary-Directive. This Directive will no longer apply once the UK leaves the EU, meaning Eisai Europe Limited will no longer be able to receive distributions from its European subsidiaries free of WHT post Brexit.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

18. Deferred taxation (continued)

In the foreseeable future Eisai Europe Limited anticipates receiving dividends from its direct subsidiaries in France, Germany and the Netherlands. If the exemption that the Group currently avails itself of is no longer available, the Group expects to apply rates under the UK's relevant double tax agreements which should reduce the rate of WHT to 0% for dividends paid by France and the Netherlands and 5% for dividends paid by Germany.

Company

	2019	2018
	£'000	£'000
The movements on deferred tax are as follows:		
At start of year	-	-
(Charge)/credit to income	-	-
At end of year	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	2019	2018
	£'000	£'000
Deferred tax is provided as follows:		
Losses carried forward	521	511
Capital allowances in excess of depreciation	(521)	(511)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The company has not recognised a deferred tax asset in respect of tax losses of £7.9 m (2018: £7.1m) carried forward.

The Company's deferred tax balances are measured using the tax rates that have been enacted or substantively enacted at the balance sheet date based on the periods in which the temporary differences are forecast to reverse. The enacted corporate tax rates in the UK are 19% to 31 March 2020 reducing to 17% from 1 April 2020.

19. Share capital and reserves

	2019	2018
	£'000	£'000
Share capital		
Authorised		
1,900,000 GBP ordinary shares of £100 each	190,000	190,000
	<u>190,000</u>	<u>190,000</u>
Called up, allotted and fully paid		
1,841,380 GBP ordinary shares of £100 each	184,138	184,138
	<u>184,138</u>	<u>184,138</u>

The company has one class of ordinary shares which carry no right to fixed income.

Foreign currency revaluation reserve

The foreign currency revaluation reserve comprises of all foreign currency differences arising from the translation of the financial statements of the Groups' foreign operations.

Merger reserve

The merger reserves presented the difference between the value of share capital of the Eisai Ltd, Eisai GesmbH and Eisai GmbH and the value of the investment made by the Company.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

20. Notes to the statement of cash flows

Group	2019	2018
	£'000	£'000
Profit for the year	31,700	16,804
Adjustments for:		
Finance income	(9,986)	(1,282)
Finance expense	58	22
Income tax expense	11,008	5,145
Depreciation of property, plant and equipment	6,761	6,703
Amortisation of intangible assets	12,825	11,881
Profit on disposal of property, plant and equipment	17	13
Decrease in provisions	1,516	527
Operating cash flows before movements in working capital	53,899	39,813
(Increase)/decrease in inventories	(7,913)	5,922
(Increase)/decrease in receivables	(79,590)	2,544
Increase in payables	93,524	316,853
Cash inflow generated by operations	59,920	365,132
Income taxes paid	(10,649)	(14,892)
Interest paid	(58)	(22)
Net cash inflow from operating activities	49,213	350,218

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

20. Notes to the statement of cash flows (continued)

Company	2019 £'000	2018 £'000
Profit for the year	8,391	16,376
Adjustments for:		
Finance income	(1,005)	(302)
Finance expense	49	16
Depreciation of property, plant and equipment	2,067	1,981
Amortisation of intangible assets	12,631	11,677
Gain on disposal of property, plant and equipment	-	4
Increase in provisions	(1,229)	(1,107)
Dividend income	(8,706)	(23,721)
Operating cash flows before movements in working capital	12,198	4,924
Decrease in inventories	92	825
(Increase)/decrease in receivables	(13,566)	8,319
Increase/(decrease) in payables	107,709	(28,988)
Cash inflow/(outflow) generated by operations	106,433	(14,920)
Income taxes paid	-	-
Interest paid	(49)	(16)
Net cash inflow/(outflow) from operating activities	106,384	(14,936)

Cash and cash equivalents which are presented as a single class of assets on the face of the statement of financial position comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

21. Pension scheme

During the year the Group has contributed £5,646k towards defined contribution pension schemes (2018: £5,356k) which was charged to the income statement.

No retirement benefits are accruing in respect of qualifying services for the defined contribution schemes.

The amount charged to income statement account for the defined benefit current service pension cost for the current year amounted to £282k (2018: £340k).

Defined benefit pension

The Group sponsors two defined benefit schemes for qualifying employees of its subsidiaries in France and Germany. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the schemes. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

Accounting for defined benefit pension schemes was based on actuarial valuations done as of 31 March 2019. The net pension liability (net of deferred tax) for the pension schemes as on 31 March 2019 was £1,835k (2018: £1,585k) for the French pension plan and £12k (2018: £18k) liability for the German pension scheme.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

21. Pension scheme (continued)

Defined benefit pension (continued)

Reconciliation of movement in defined benefit schemes net pension (liability)/asset during the year:

France	2019 £'000	2018 £'000
At start of year	(2,410)	(2,198)
Current service cost	(345)	(357)
Contributions	64	26
Net finance expense	(42)	(32)
Actuarial gain	166	150
At end of year	(2,567)	(2,411)
Deferred tax asset	732	826
Pension liability	<u>(1,835)</u>	<u>(1,585)</u>

The French defined benefit plan was created in 2004 to guarantee top executives an additional pension beyond the standard defined contribution pension received. The scheme is a defined benefit plan that insures a fixed pension of 10% of the salary at the retirement date and will not be revalued after the retirement date. The participant will only receive this pension if he is still present in the company at the retirement date.

The scheme is closed to new employees and has two executive participants as of 31 March 2018.

Germany	2019 £'000	2018 £'000
At start of year	(26)	(30)
Current service cost	-	-
Contributions	34	98
Past service costs	(35)	(84)
Net finance income	1	(1)
Actuarial gain/(loss)	9	(9)
At end of year	(17)	(26)
Deferred tax asset	5	8
Pension liability	<u>(12)</u>	<u>(18)</u>

The German defined benefit scheme was also created to guarantee top executives an addition pension beyond the standard defined contribution pension received.

The scheme is specifically tailored to the need of each participant.

As of 31 March 2019 scheme has four active members and two deferred members and is also closed to new employees.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

21. Pension scheme (continued)

Actuarial assumptions

	France		Germany	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Actuarial valuation method	FV	FV	FV	FV
Discount rate	1.4%	1.45%	1.4%	1.45%
Expected salary increase rate	3%	3%	0%	0%
Future pension growth	3%	3%	1%	1%
Financing age	65	65	65	65
Average age	57	56	56	55

Defined benefit obligation

Active	2	2	117	68
Vested	-	-	193	368
Pensioners	-	-	273	-
	<u>2</u>	<u>2</u>	<u>583</u>	<u>436</u>

Sensitivity

Interest rate - 0.25%	741	690	592	429
Interest rate + 0.25%	714	664	575	445

Both schemes operate under IAS 19 principles, the actuarial gains and losses are recognised in the Other Comprehensive Income. The valuation method implemented is the Projected Unit Credit Method.

The two defined benefit schemes are not material to the Group and as a result carried no risk for the Group or Company:

- The French scheme is funded by an insurance contract with Predica, previously Arial Assurance.
- The German scheme is funded by lump-sum/pension units depending on the actuarial calculation of the reinsurance contract

22. Operating lease arrangements

	2019 £'000	2018 £'000
Minimum lease payments under operating leases recognised as an expense in the year	<u>6,085</u>	<u>5,181</u>

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

22. Operating lease arrangements (continued)

At 31 March 2019 the Group and company had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Within one year	4,465	4,148	111	134
Within two to five years	7,312	6,709	366	227
After five years	68	-	-	-
	<u>11,845</u>	<u>10,857</u>	<u>477</u>	<u>361</u>

The majority of lease commitments represent office properties' and vehicles' rentals. Office rent is negotiated for fixed periods between six to nine years with an option to extend at the then prevailing market rates. Cars are leased for three to four years, mostly with no option to extend the lease.

In relation to the application of IFRS 16 *Leases* the entity is adopting the new standard from 1 April 2019 retrospectively in accordance with C7-C13. Therefore the comparative information will not be restated.

23. Contingent liabilities

The Group and the company had no contingent liabilities as at 31 March 2019 (2018: £nil).

24. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The immediate and ultimate parent company and ultimate controlling party is Eisai Co., Ltd., a company incorporated in Japan. The smallest and largest Group into which the results of the company are consolidated is that headed by Eisai Co., Ltd.

The Group accounts for Eisai Co., Ltd. are available at 4-6-10 Koishikawa, Bunkyo-ku, Tokyo 112-8088, Japan.

Eisai Europe Limited (No. 05268420) heads the smallest Group of which the company is a member and for which Group accounts are prepared and are available at European Knowledge Centre, Mosquito Way, Hatfield, Hertfordshire, England, AL10 9SN, UK.

Transactions between the Group, Company and its parent company are disclosed below.

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Sales and other income	145,738	22,412	20,361	18,058
Cost of sales	82,105	64,626	-	-
Other income and admin expenses	107,784	-	-	-
Amounts owed by related parties	23,725	6,892	5,333	78
Amounts owed to related parties	<u>116,509</u>	<u>29,240</u>	<u>100</u>	<u>1,056</u>

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

24. Related party transactions (continued)

Transactions between the Group, Company and other fellow subsidiaries.

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Sales and other income	145,201	1,130	-	22
Cost of sales	481	445	-	-
Other income and admin expenses	119,449	242	-	242
Amounts owed by related parties	54,736	1,698	6,823	232
Amounts owed to related parties	30,416	7,872	832	405
Long term loan receivable	6,542	6,562	-	6,562

All transactions are performed at arm's length.

The Group has a payment term of 45 days for non-stock items and 60 days for stock for all parties for the Eisai Group.

All transactions within the Group are eliminated on consolidation.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

25. Financial instruments

The Group financial instruments comprise trade and other receivables, trade and other payables and cash and cash equivalents. The Group's financial assets and liabilities are summarised below:

	2019	2018
	£'000	£'000
Measured at fair value through profit or loss		
Fixed assets listed investments	47	48
Derivative financial assets	396	216
Debt instruments measured at amortised cost		
Long-term loans receivable	6,640	6,562
Trade and other debtors	72,412	64,475
Amounts due from associates	78,457	8,589
Cash and cash equivalents		
Cash at hand and at Bank	106,772	112,289
Time deposit	140,108	192,533
Money market fund	350,833	240,764
Total financial assets	<u>755,665</u>	<u>625,476</u>
Financial liabilities		
Measured at fair value through profit or loss		
Derivative financial liabilities	423	236
Measured at amortised cost		
Trade and other creditors	264,598	17,213
Amounts owed to associates	146,926	37,112
Total financial liabilities	<u>411,947</u>	<u>54,561</u>

No financial assets have been pledged as security.

All financial assets and liabilities are short-term receivable and payables therefore carrying value is a reasonable approximation of fair value.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

25. Financial instruments (continued)

Interest rate risk management

The Group is exposed to interest rate risk primarily as loss of income from investment of surplus cash. The Group currently has no debt owed to a third party. The risk of loss of interest income due to fluctuations in daily interest rates is managed by regular negotiation of a variety of short-term deposits with banks and pooling of cash requirements and surpluses within the Group via intercompany loans, dividends and management of intercompany accounts settlement.

The Group's sensitivity to interest rates has increased during the current period due to the Group needing to hold an increase amount of cash in order to support its expanding cash pooling system.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Current provision is excluded from the calculation.

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
2019						
Non-interest bearing	450,191	39,760	16,807	1,763	1,000	509,521
2018						
Non-interest bearing	127,574	12,152	9,295	2,920	-	151,941

No financial liabilities are interest-bearing.

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets.

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
2019						
Non-interest bearing	117,621	34,195	2,408	1,734	29	155,987
2018						
Non-interest bearing	41,532	32,104	4,552	427	8	78,623

The Group expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

25. Financial instruments (continued)

Liquidity risk management (continued)

The Group's liabilities for major projects (such as acquisition of the new subsidiaries and patent rights or construction of new sites) are normally financed via direct investment of the parent company into the Group's new issues of share capital.

Liquidity risk is the risk that the Company will not have available funds to meet its liabilities. The Company manages its liquidity risk by regularly monitoring its future cash flows and current cash position. Funding is available from the Company to its subsidiaries if and when required.

Credit risk management

The Group may hold significant cash balances as part of its normal operations, with the amount of cash held at any point reflecting the level of cash flow generated by the business and the timing of the use of that cash. The majority of excess cash is centralised within the company and is subject to counterparty risk on the principal invested. This risk is mitigated through a policy of prioritising security and liquidity over return, and as such cash is only invested in high credit quality investments. Counterparty limits are set according to the assessed risk of each counterparty and exposures are monitored against these limits on a regular basis. The majority of the Group's cash is invested in sterling AAA rated liquidity funds and short-term sterling, US dollar and euro bank deposits.

The most significant concentration of financial credit risk at 31 March 2019 was £209 m (2018: £112m) invested in four AAA-rated money market liquidity funds. The money market fund portfolios are managed by international bank fund managers to maintain the AAA rating.

Foreign exchange contracts

The principal amount on foreign exchange contracts is the absolute total of outstanding positions at the balance sheet date. The Group's foreign exchange contracts are all for a period less than 12 months. As at 31 March 2019, the Group held outstanding foreign exchange contracts with a net fair value of £ -27k (2018: £20k). This is reported under current asset (£ 396k: note 26) and current liabilities (£423k note 26).

The movement in the fair value of the FX forward contracts are recognised on the balance sheet with a corresponding entry to the income statement. All fair value hedges were 100% effective.

Fair value hedges

During the year, the Group had no fair value hedges.

Cash flow hedges

As at 31 March 2019, the Group had no cash flow fair value hedges.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence it is exposed to exchange rate fluctuations. The company uses derivative financial instruments to manage its exposure to foreign exchange rate risk by creating offsetting positions through the use of foreign exchange forward contracts. The market risk related to the foreign exchange agreements is offset by changes in the valuation of the underlying items being hedged.

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

25. Financial instruments (continued)

The GBP equivalent of open contracted Foreign Exchange Contracts at the reporting date are as follows:

	Purchase		Sell	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
AUD	1,655	1,655	7,263	7,263
CHF	-	-	816	816
EUR	-	-	27,558	27,558
RUB	8,018	8,018	15,736	15,736
SEK	-	-	1,124	1,124
GBP	52,390	52,390	9,566	9,566
	<u>62,063</u>	<u>62,063</u>	<u>62,063</u>	<u>62,063</u>

Foreign Exchange Contracts as at 31 March 2019 are listed below:

Buy currency	Total nominal	Sell currency	Total nominal	(Loss)/gain
GBP	8,986,081	AUD	16,795,019	(169,526)
GBP	551,082	CHF	713,701	1,094
GBP	54,788,409	EUR	63,364,873	186,898
GBP	29,675,679	RUB	2,571,455,637	(361,848)
GBP	2,563,701	SEK	31,147,849	(13,410)
GBP	12,743,062	JPY	1,839,000,000	(7,425)
AUD	5,627,641	GBP	3,057,791	10,051
EUR	3,765,000	GBP	3,242,637	1,663
RUB	815,214,738	GBP	9,547,650	(25,015)
SEK	395,731	GBP	32,794	(52)

Foreign Exchange Contracts as at 31 March 2018 are listed below:

Buy currency	Total nominal	Sell currency	Total nominal	(Loss)/gain
GBP	7,112,955	AUD	13,283,056	(150,158)
GBP	822,265	CHF	1,095,507	6,722
GBP	27,655,647	EUR	31,432,739	97,573
GBP	15,568,689	RUB	1,262,383,592	(82,224)
GBP	1,169,002	SEK	13,199,510	45,433
AUD	3,026,922	GBP	1,647,444	7,662
RUB	643,185,594	GBP	7,918,996	55,159

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

25. Financial instruments (continued)

Foreign currency risk management

The majority of the Group's operations are denominated in Euro, GBP and US dollars, with most of the countries operating mainly in their local currencies and thus generating minimal foreign exchange gain or loss.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
US dollar	101	93	(163)	(321,906)
Euro	195,138	191,165	(94,226)	(79,207)

Below is the sensitivity analysis of fluctuations in Euro and US dollar exchange rates on two major operations in the Group:

	2019 £'000	2018 £'000
Impact of 10% weakening of GBP against USD on Eisai UK entities	(7)	(35,757)
Impact of 10% weakening of GBP against EUR on Eisai UK entities	7,803	12,440

The exposure to fluctuations in US dollar exchange rates on direct research costs has been significantly reduced since the end of the reporting period as a result of the switch of the financing thereof by the parent company to US dollars, instead of GBP.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

26. Derivatives financial instruments

Derivatives Financial Instruments carried at fair value through profit or loss (FVTPL):

The Group has entered into netting arrangement between Eisai Europe Ltd and Eisai Manufacturing Ltd. The Group offsetting positions through the use of foreign exchange forward contracts are:

	2019 £'000	2018 £'000
Eisai Europe Ltd		
Derivative assets	819	299
Derivative liabilities	(644)	(452)
Net derivative assets/(liabilities)	<u>175</u>	<u>(153)</u>
Eisai Manufacturing Ltd		
Derivative assets	221	216
Derivative liabilities	(423)	(83)
Net derivative (liabilities)/assets	<u>(202)</u>	<u>133</u>

Eisai Europe Limited

Notes to the financial statements For the year ended 31 March 2019

26. Derivatives financial instruments (continued)

The derivative asset and liability with Eisai Europe Ltd meet the offsetting criteria in IAS 32:42. Consequently, the gross derivative liability is set off against the gross derivative asset, resulting in the presentation of a net derivative asset of £396k and net derivative liabilities of £423k in the Group statement of financial position.

27. Events after the reporting date

There were no significant events after the reporting date.

28. IFRS 16 Disclosure

The quantification of the expected impact on the change in assets and liabilities following the adoption of IFRS 16 is below:

IFRS 16 adoption impact as at 1 April 2019:

	IAS 17 £'000	IFRS 16 £'000
Right of use assets	-	9,576
Lease liability –current	-	(4,268)
Lease liability – non-current	-	(5,267)
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