COMPANY REGISTRATION NUMBER 01653765

Ipsen Biopharm Limited

Report and financial statements

31 December 2018

Ipsen Biopharm Limited

Officers and professional advisers

The board of directors	A M Ali I L Boyne J A Chaddock C Lamb N Davis
Company secretary	C Lamb
Registered office	Ash Road Wrexham Industrial Estate Wrexham LL13 9UF
Auditor	Constantin 25 Hosier Lane London EC1A 9LQ

Ipsen Biopharm Limited

Strategic Report

Year ended 31 December 2018

The Directors present their strategic report for the year ended 31 December 2018.

Principal activities and objectives

Ipsen Biopharm Limited manufactures and markets products and develops products and processes related to the pharmaceutical industry and provides research and development services to affiliated companies. The objectives of the Company are to expand the market share of its principal product, "Dysport®", by increasing its therapeutic indications and working in conjunction with Galderma, an Alliance partner responsible for distributing Dysport® worldwide in its aesthetic indication, Azzalure®. In addition, the Company is looking to expand its product portfolio by acquiring new products such as Onivyde® which it acquired in 2017.

Business review

The Company's key financial performance and other indicators for the year were as follows:

	2018 £000	2017 £000	% Change
Turnover:	**357,989**	267,813	34
Product sales	**309,906**	222,880	39
Services	**17,540**	15,470	13
Royalties	**30,543**	29,463	4
Gross profit	**228,647**	172,372	33
Profit before tax from continuing operations	**78,445**	52,536	49
Capital expenditure	**25,720**	318,642	1,294
Gross profit as a % of turnover	**64%**	64%	-
Current assets as a % of current liabilities	**163%**	95%	34
Average number of employees	**555**	475	16
Manufacturing site frequency rate of work-related accidents: No. (No. of accidents over the last 12 months x 100,000/No. of hours worked over the last 12 months)	**1.11**	1.45	
Total waste (tonnes)	**204**	170	
Total waste by category (%):			
Hazardous	**22**	39	
Non-hazardous	**78**	61	

The Company's sales and royalties have increased in the year due to the expansion of the product portfolio and significant growth through its alliance partners.

The Company has a defined EHS policy in place and actively monitors a variety of EHS indicators. The frequency of reported work-related accidents has decreased in the year due to an initiative to increase the level of reporting awareness amongst employees.

Due to the nature of the production facility the Company closely monitors its effect on the environment. Despite an increase in overall waste production during the year, the quantity of waste destined for land fill was nil *(2017 – nil).*

Principal risks and uncertainties

The Company carries on business in a changing environment which poses risks for the Company that are outside its control. The key risks and uncertainties affecting the Company relate to its products and financial position. The directors review and agree policies for managing all such risks, which are summarised below. These policies have remained unchanged in the current and prior financial periods. However, other risks and uncertainties of which the Company is not aware may also have an impact on its business, financial situation or results.

Principal risks and uncertainties *(continued)*

Product risk

The Company currently manufactures one product for sale to other group companies. Should the production site become unable to produce the product for a significant period of time this could have a negative impact on the Company's business, its financial situation or its results.

The Company's competitors include, in particular, large international pharmaceutical groups. Consequently, the Company is at risk from competitors introducing more effective or less expensive products used to treat the same pathologies, or from new innovative products rendering the Company's products obsolete.

Development risk

The Company has invested in the development of a product which is still in the course of development. The Company cannot be certain that the product will be approved by the competent regulatory authorities and that it will be successfully marketed. Some years can elapse before a product is approved and it may be that some new products and indications do not reach the market. The ultimate cost and success of any research and development programme is therefore uncertain but the Company prepares budgets, plans and forecasts to actively monitor progress during such programmes. Should the directors conclude that clinical or financial success is not achievable within the resources available such programmes would be halted or amended in order to minimise costs. The programmes would then be reassessed.

On behalf of the board

I L BOYNE
Director

18th March 2019

The directors present their report and the financial statements of the company for the year ended 31 December 2018.

Directors

The directors who served the company during the year were as follows:

A Murphy (Resigned 1/1/18)
A Stratton (Resigned 28/3/18)
J M Allsop (Resigned 1/5/18)
M F Hickling (Resigned 2/5/18)
N B Launay (Resigned 2/5/18)
H Semerjian (Resigned 2/5/18)
R E Busby (Resigned 11/10/18)
E J McDowall (Resigned 11/10/18)
J A Chaddock
N Davis
I L Boyne (Appointed 27/3/18)
A M Ali (Appointed 15/10/18)
C Lamb (Appointed 15/10/18)

Results and dividends

The profit for the year from continuing operations, after taxation, amounted to £59,669,000 *(2017: £39,845,000)*.

The directors did not recommend the payment of a dividend in 2018 *(2017: £Nil)*

Future outlook

The directors are of the view that the continued establishment of the product in therapeutic areas in the various territories and the on-going relationship with Galderma for the aesthetic use of the Dysport® product, together with the acquisition of Onivyde®, will generate further growth in revenue for the Company.

The directors believe that the Company's performance will continue at a satisfactory level.

Political contributions

The Company made no political contributions during the year *(2017: £nil)*.

Research and development

The Company continues to focus on expanding the areas in which the "Dysport®" product may be used by investing in research and development activities and incurs costs in undertaking or sponsoring research into and developments of new products, manufacturing processes and associated technologies on behalf of itself and affiliated companies. The directors regard investment in research and development as integral to the continuing success of the business and in the current financial year invested £92,423,000 *(2017: £60,405,000)* in research and development activity.

Financial risk management objectives and policies

The Company is exposed to financial risk through its use of financial instruments and principally to currency risk and interest rate risk, which result from both its operating and investing activities. The Company's risk management is coordinated at its premises, in close co-operation with the board of directors and with the Ipsen SA group to which it belongs and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets. The most significant financial risks to which the Company is exposed are described below.

Exchange rate risk

A proportion of the Company's sales are in euros or US dollars and the exchange risk arising is partly mitigated by purchases from overseas suppliers also denominated in euros or US dollars. Funding of foreign currency or hedging required is managed by the Ipsen SA group's treasury function, in conjunction with local management.

Price risk

The commercial success of the Company's products depends partly on the proportion of their price reimbursed by private medical insurance companies, health insurance bodies and public healthcare programmes.

Financial risk management objectives and policies *(continued)*

Credit risk

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the financial year. In respect of trade and other receivables, the Company is not exposed to any significant credit risk with any single counterparty or any group of counterparties having similar characteristics as these balances principally comprise intra-group balances and amounts from Alliance partners. It is Company policy to ensure that such amounts receivable are paid on time and the Company's management consider that these financial assets are not impaired for each of the reporting dates under review and are of good credit quality. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Interest rate risk

The Company is part of a group pooling arrangement with other group companies whereby excess funds are lent to or deficits borrowed from other group companies. Rates of interest are set with reference to the market rates ruling in the lender's country. At 31 December 2018, the Company is exposed to changes in market interest rates through its lending to group companies, which are subject to the variable interest rates as detailed in note 17.

Liquidity and cash flow risk

The Company's business activities, together with the factors likely to affect its future development and position, are set out above and the Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Ipsen SA group's centralised treasury management arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Company manages its liquidity needs by carefully monitoring payments for long-term financial liabilities as well as cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. The Company works in conjunction with the Ipsen SA group's treasury department to maintain its cash to meet its liquidity requirements.

The directors, having assessed the responses of the directors of the Company's parent company to their enquiries, have no reason to believe that a material uncertainty exists that may cause significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities and its exposure to price, credit, liquidity and cash flow risk are described in the report above.

The company has sufficient financial resources together with a good customer base across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risk successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Employee involvement

The Company has continued its practice of holding both formal and informal staff update briefings to keep employees informed of matters affecting them as employees and the financial and economic factors influencing the performance of the Company. In addition, employee communications and in-house magazines at both Company and group level are produced regularly to keep employees informed on corporate developments.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Company may continue. It is the policy of the Company that training, career development and promotion opportunities are available to all employees.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

In so far as each of the directors is aware:

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditor is unaware; and

- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

The company is not obliged to reappoint its auditor annually and Constantin will therefore continue in office.

UK leaving the European Union

The Company has made appropriate plans to ensure the product manufactured can continue to be supplied worldwide, from and into the UK, after the date the UK leaves the European Union. It has followed advice of relevant competent authorities in defining and executing these plans and anticipated multiple scenarios. Should the UK's departure from the European Union create unforeseen issues with the movement of goods on either side of the border, this could have a negative impact on the company's business, its financial situation or results. The Company is also advanced in its plans to support employees and their families who may be impacted by the UK's exit from the European Union.

Conversion of Share Premium into distributable reserves

The Directors of the Company have proposed that the premium arising on past issue of shares amounting to £10,109,000 be converted into distributable reserves with a view that this would be immediately distributable as a dividend to its Parent company, Ipsen Developments Limited. This is in addition to the dividend disclosed in note 28 in the notes to the financial statements.

On behalf of the board

I L BOYNE
Director
18th March 2019

Independent auditor's report to the members of Ipsen Biopharm Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Ipsen Biopharm Limited (the 'company') which comprise:

- income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

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

Responsibilities of directors *(continued)*
internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council'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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

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

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alex Legon (Senior Statutory Auditor)
For and on behalf of Constantin, Chartered Accountants and Statutory Auditor
25 Hosier Lane
London
EC1A 9LQ
Date:

1 8 MAR 2019

Ipsen Biopharm Limited

Income Statement

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Continuing operations			
Turnover	2	357,989	267,813
Cost of sales		(129,342)	(95,441)
Gross profit		228,647	172,372
Other operating income	3	16,471	14,930
Distribution expenses		(55,573)	(52,582)
Administrative expenses		(21,380)	(21,264)
Development expenses		(92,423)	(60,405)
Other operating gains and (losses)	7	2,491	(380)
Operating profit	4	78,233	52,671
Interest receivable and similar income	8	663	99
Interest payable and similar charges	9	(451)	(234)
Profit on ordinary activities before taxation		78,445	52,536
Tax on profit on ordinary activities	10	(18,776)	(12,691)
Profit for the year from continuing operations		59,669	39,845
Discontinued operations Profit after tax for the year from discontinued operations	11	32	614
Profit for the financial year		59,701	40,459

The notes on pages 13 to 33 form part of these financial statements.

Ipsen Biopharm Limited

Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 £000	2017 £000
Profit for the year	**59,701**	40,459
Other comprehensive income		
Items that cannot be reclassified to profit or loss:		
Re-measurement gains on defined benefit pension plans	**1,645**	515
Tax on items relating to components of other comprehensive income	**(280)**	(88)
Total other comprehensive income for the year, net of tax	**1,365**	427
Total comprehensive income for the year, net of tax	**61,066**	40,886

The notes on pages 13 to 33 form part of these financial statements.

Ipsen Biopharm Limited

Balance Sheet

As at 31 December 2018

	Note	£000	2018 £000	£000	2017 £000
Fixed assets					
Intangible assets	12		295,301		315,002
Tangible assets	13		134,000		119,911
Investments	14		18		18
			429,319		434,931
Current assets					
Stocks	15	15,330		13,126	
Debtors due within one year	16	184,281		113,359	
Cash at bank and in hand		-		-	
		199,611		126,485	
Creditors: Amounts falling due within one year	17	(119,904)		(134,350)	
Net current assets/(liabilities)			79,707		(7,865)
Total assets less current liabilities			509,026		427,066
Creditors: Amounts falling due after more than one year	18		(60,063)		(39,822)
Provisions for liabilities					
Deferred tax	19		(13,708)		(11,026)
Defined benefit pension deficit	20		(1,088)		(3,117)
			434,167		373,101
Capital and reserves					
Called-up equity share capital	24		308,019		308,019
Share premium	25		10,109		10,109
Profit and loss account	25		116,039		54,973
Shareholders' funds			434,167		373,101

These financial statements were approved by the directors and authorised for issue on 18th March 2019 and are signed on their behalf by:

I L BOYNE
Director
18th March 2019

Company Registration Number: 01653765

The notes on pages 13 to 33 form part of these financial statements.

Ipsen Biopharm Limited

Statement of changes in equity

31 December 2018

Attributable to owners of the company

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2017	**4,891**	**10,109**	**14,087**	**29,087**
Profit for the financial year	-	-	40,459	40,459
Other comprehensive income	-	-	427	427
Equity issue	303,128	-	-	303,128
Total comprehensive income for the year	303,128	-	40,886	344,014
Transaction with owners:				
Equity dividend paid	-	-	-	-
At 31 December 2017 and 1 January 2018	**308,019**	**10,109**	**54,973**	**373,101**
Profit for the financial year	-	-	**59,701**	**59,701**
Other comprehensive income			**1,365**	**1,365**
Equity issue	-	-	-	-
Total comprehensive income for the year	-	-	**61,066**	**61,066**
Transaction with owners:				
Equity dividends paid	-	-	-	-
At 31 December 2018	**308,019**	**10,109**	**116,039**	**434,167**

The notes on pages 13 to 33 form part of these financial statements.

1. Accounting policies

Reporting entity

Ipsen Biopharm Limited ("the Company") is a private company, limited by shares incorporated in England and Wales. The address of the Company's registered office is Ash Road, Wrexham Industrial Estate, Wrexham LL13 9UF. The financial statements of the Company as at and for the year ended 31 December 2018 present information about the Company as a separate entity and not about its group. The Company is primarily involved in the development, manufacture and marketing of products and processes related to the pharmaceutical industry and provides research and development services to affiliated companies.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The Company elected to adopt the standard with a transition date of 1 January 2013.

The financial statements have been prepared on the historical cost basis except where indicated otherwise.

The financial statements are presented in UK sterling, which is also the Company's functional currency, and rounded to the nearest thousand pounds ("£000"), except where indicated.

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

The Company is exempt from the requirement to produce group financial statements by virtue of section 400 of the Companies Act 2006, on the grounds that the Company is included in the consolidated financial statements of Ipsen SA, a company incorporated in France.

The financial statements have been prepared and in accordance with the Companies Act 2006 and the principal accounting policies as summarised below. They have all been applied consistently throughout the year.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities and its exposure to price, credit, liquidity and cash flow risk are described in the report above.

The company has sufficient financial resources together with a good customer base across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risk successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure exemptions adopted

The following disclosure exemptions have been adopted:

- Preparation of a cash flow statement
- The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow owned companies.
- Presentation of comparative reconciliations for property, plant and equipment and intangible assets
- Disclosure of key management personnel compensation
- Capital management disclosures
- Disclosures in respect of standards in issue not yet effective

1. Accounting policies *(continued)*

Disclosure exemptions adopted *(continued)*

The following disclosure exemption has also been adopted as equivalent disclosures are provided in the parent consolidated financial statements.

- Share-based payment under IFRS 2
- Reduced financial instruments disclosures relating to IFRS 7
- Narrative regarding impairment of assets under IAS 36

Foreign currency - Functional and presentation currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of profit or loss.

Intangible fixed assets

Expenditure on research activities is recognised in the statement of profit or loss as an expense when incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the statement of profit or loss as an expense when incurred.

Licence rights, software licences and other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Licence rights and associated development costs are carried at cost, subject to impairment review, and amortised from the date of issue of marketing approval. Other intangible assets comprise Know How and assets awaiting completion. Assets awaiting completion are amortised from the date that they are brought into use. The estimated useful lives are as follows:

- software licences	3 - 10 years
- licence rights	10 - 14 years
- other intangibles	3 - 10 years

Tangible fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of profit and loss on a straight-line basis over the useful estimated lives of each part of an item of property, plant and equipment with the exception of the new "Building 2" production facility. The Building 2 facility is depreciated on a units of production basis using production levels of the assets over the useful life. Land and assets under construction are not depreciated. The estimated useful lives are as follows:

- buildings	20 to 50 years
- leasehold improvements	over period of the lease
- fixtures and fittings	5 – 20 years
- plant, machinery and vehicles	5 – 20 years
- office equipment	3 – 5 years

1. **Accounting policies** *(continued)*

Investments in subsidiaries

Investments in subsidiaries and associates are carried at cost, less any adjustment for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the standard cost principle and includes expenditure incurred in acquiring the stock and bringing them to their existing location and condition. In the case of manufactured stock and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment

The carrying amounts of the Company's assets, stock and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets

Financial assets are classified, at initial recognition, as loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Under IFRS 7, the Company's loans, trade and other receivables are categorised as "Loans and receivables" as they are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The valuation method for this category of financial asset is "amortised cost" using the effective interest method, less any impairment provision. For all current receivables "amortised cost" is effectively cost.

1. Accounting policies *(continued)*

Financial assets *(continued)*

The carrying values of the Company's financial assets are reviewed throughout the year to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised to reduce the asset's carrying value to the estimated recoverable amount. For receivables, this review is based on the latest information available and any financial assets that are substantially past due are also considered for impairment. Any change in the value of financial assets is recognised in the statement of profit or loss line item "interest payable and similar charges" or "interest receivable and similar income", as appropriate.

Financial liabilities

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company's financial liabilities include borrowings, trade and other payables, which are measured at amortised cost using the effective interest rate method. For all current payables "amortised cost" is effectively cost.

Financial liabilities are recognised when the Company becomes a party to the contractual terms of the instrument. All interest-related charges, and if applicable, changes in an instrument's fair value are reported in the statement of profit or loss line item "interest payable and similar charges" or "interest receivable and similar income", as appropriate.

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments, such as forward currency contracts, to manage its exposure to its exchange rate risks. Such derivative financial instruments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and strategy for undertaking various hedge transactions. In addition, at the inception of the hedge and on an on-going basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of such hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is recognised in "Other operating gains and losses".

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the line "Other operating gains and losses". However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in the other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Employee benefits

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the comprehensive statement of income as incurred.

1. Accounting policies *(continued)*

Employee benefits *(continued)*

Defined benefit pension plans

The Company's net obligation in respect of its defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, but the timing or the amount of the outflow may still be uncertain. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Turnover

Turnover comprises the fair value or the consideration received or receivable for the sale of goods, services and royalty income receivable in the normal course of business. Turnover is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding VAT and trade discounts. Turnover is recognised upon the performance of services or transfer of risk to the customer.

Sales of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, which is generally when the goods are delivered,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Company, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover from the sale of goods is reduced to reflect rebates that may need to be raised in the future. These reductions are dependent upon the submission of claims that may arise sometime after the initial recognition of the sale.

Rendering of services

Service income is recognised when invoiced and relates to the direct costs incurred in providing the service, together with attributable overheads and margin. The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the entity, and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Royalties

Royalties are recognised on an accruals basis in accordance with the substance of the relevant agreement when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the royalty can be measured reliably.

Other operating income

Up-front and milestone receipts from licensing agreements are capitalised as deferred revenue and released to the statement of profit or loss on a straight-line basis over the period of the agreement.

1. **Accounting policies** *(continued)*

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of profit or loss as an integral part of the total lease expense.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, plus or minus any adjustment to tax payable in respect of previous years. When available, tax losses are purchased from other group companies.

Deferred tax is provided on material temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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 Company intends to settle its current tax assets and liabilities on a net basis.

Dividends

Dividend distributions payable to equity shareholders are included in “other short term financial liabilities” when the dividends are approved in general meeting prior to the balance sheet date.

Equity

Equity comprises the following:

- “Share capital” represents the nominal value of equity shares.
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- “Retained earnings” represents retained profits.

2. Turnover

Turnover as recognised in the income statement is analysed as follows:

	2018 £000	2017 £000
Sale of goods	**309,906**	222,880
Recharge of services	**17,540**	15,470
Royalties	**30,543**	29,463
	357,989	267,813

Turnover by geographical area

	2018 £000	2017 £000
United Kingdom	**3,444**	3,046
Rest of Europe	**238,313**	184,749
United States of America	**109,291**	71,484
Rest of the world	**6,941**	8,534
	357,989	267,813

3. Other operating income

	2018 £000	2017 £000
Income from licensing out product rights	**16,471**	14,930

4. Operating profit

Operating profit is stated after charging/(crediting):

	2018 £000	2017 £000
Amortisation of intangible assets:		
- included in Cost of sales	**23,459**	16,996
- included in Administrative expenses	**164**	203
- included in Development expenses	**14**	18
Depreciation of fixed assets	**7,190**	4,141
Loss on disposal of fixed assets	**526**	137
Research and development expenditure credit	**(1,187)**	(1,177)
Auditor's remuneration		
- fees payable for the audit of the financial statements	**67**	64
Operating lease costs:		
- Plant and equipment	**224**	332
- Land and buildings	**2,009**	1,623
Net (gain)/loss on foreign currency translation	**(1,628)**	243

5. Particulars of employees

The average number of staff employed by the company (including directors) during the financial year amounted to:

	2018 No	2017 No
Production	**293**	251
Distribution	**33**	27
Administration	**100**	85
Development	**129**	112
	555	475

The aggregate payroll costs of the above were:

	2018 £000	2017 £000
Wages and salaries	**37,294**	33,547
Social security costs	**5,765**	4,433
Other pension costs	**2,648**	2,265
Other costs	**1,096**	828
	46,803	41,073

In 2016 the Company's defined benefit plan was closed to further accrual and details of the defined benefit scheme are disclosed in note 22. The company contributes to a number of externally funded defined contribution pension plans. The total expense relating to defined contribution plans in the current year was £2,648,000 *(2017: £2,265,000)*.

A number of the employees participated in the Ipsen SA share scheme in 2018. Included in Other costs is a total expense of £117,000 *(2017: £365,000)* in respect of share-based payments made by Ipsen SA to the Company's employees. Details of these schemes are disclosed in note 21.

6. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2018 £000	2017 £000
Remuneration receivable	**1,359**	2,670
Value of company pension contributions to money purchase schemes	**92**	110
	1,451	2,782

	No. of directors	No. of directors
Retirement benefits are accruing to the following number of directors under money purchase schemes	**9**	9
Number of directors who received shares in respect of qualifying services	**2**	3
Number of directors who exercised share options	**-**	-

The remuneration of the highest paid director was £645,000 *(2017: £1,201,000)* and the Company made pension contributions of £1,000 *(2017: £8,578)* on his behalf.

7. Other operating gains and losses

	2018 £000	2017 £000
Exchange gains/(losses)	**1,628**	(243)
(Loss)/Profit on disposal of fixed assets	**(526)**	(137)
Dividends received	**1,389**	-
	2,491	(380)

8. Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable from group undertakings	**297**	98
Interest receivable on bank deposits	**4**	1
Interest on defined benefit pension plan obligations	**321**	-
Other interest receivable	**41**	-
	663	99

9. Interest payable and similar charges

	2018 £000	2017 £000
Interest payable to group undertakings	**25**	141
Interest on defined benefit pension plan obligations	**394**	93
Other interest payable	**32**	-
	451	234

10. Taxation on ordinary activities

Analysis of charge in the year:

	2018 £000	2017 £000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 19% *(2017: 19.25%)*	**17,437**	12,210
Over provision in prior year	**(1,064)**	(2,545)
Total current tax	**16,373**	9,665
Deferred tax:		
Charge for the year (note 20)	**2,403**	3,026
Tax on profit on ordinary activities	**18,776**	12,691

10. Taxation on ordinary activities *(continued)*

Recognised in other comprehensive income

Deferred tax:

	2018 £000	2017 £000
Charge on net actuarial gains and losses	**280**	88

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% *(2017: 19.25 %).*

	2018 £000	2017 £000
Profit from ordinary activities of continuing operations before tax	**78,445**	52,536
Profit on ordinary activities by rate of tax	**14,904**	10,113
Expenses not deductible for tax purposes	**777**	431
Tax exempt income	**(545)**	(211)
Intragroup tax losses purchased	**3,836**	3,061
Previously unrecognised temporary difference	**1,007**	1,481
Reduced tax charge for prior year	**(1,064)**	(2,545)
Impact of tax rate change on closing liability	**(139)**	361
Total tax charge	**18,776**	12,691

Apart from the tax charge recognised in Other Comprehensive Income, no current or deferred tax was charged or credited directly to equity in the year or comparative year.

The current tax charge includes £4,776,000 in respect of tax losses of £4,948,000 purchased in the year from related companies. The tax impact of buying the losses for more than the tax value is £3,836,000 as shown above as "Intragroup tax losses purchased". This is calculated as being £4,776,000 (tax cash) less £4,948,000 (tax losses) at 19% (tax value).

11. Discontinued operations

On 24 January 2013 the Ipsen SA group entered into an Asset Purchase Agreement which included the sale of the Company's rights to certain of its haemophilia assets. The sale concluded on 21 March 2013 and the Company's activities related to haemophilia have been classified as a discontinued operation which is summarised as follows:

	2018 £000	2017 £000
Turnover	**1,346**	2,048
Expenses	**(1,306)**	(1,288)
Profit before tax	**40**	760
Attributable income tax expense	**(8)**	(146)
Profit for the year from discontinued operations attributable to the owners of the company	**32**	614

12. Intangible fixed assets

	Software licences £000	Licence rights £000	Other intangible assets £000	Total £000
Cost				
At 1 January 2018	2,116	345,969	2,027	350,112
Additions	97	3,785	54	3,936
Disposals	(152)	-	-	(152)
Asset transfers	-	1,768	(1,768)	-
At 31 December 2018	**2,061**	**351,522**	**313**	**353,896**
Amortisation				
At 1 January 2018	1,489	33,309	312	35,110
Amortisation for the year	200	23,437	-	23,637
Disposals	(152)	-	-	(152)
At 31 December 2018	**1,537**	**56,746**	**312**	**58,595**
Net book value				
At 31 December 2018	**524**	**294,776**	**1**	**295,301**
At 1 January 2018	627	312,660	1,715	315,002

13. Tangible fixed assets

	Land and buildings £000	Leasehold improve-ments £000	Plant, equipment, fixtures and vehicles £000	Assets under construction £000	Total £000
Cost					
At 1 January 2018	53,776	754	112,323	8,756	175,609
Additions	665	-	4,799	16,320	21,784
Disposals	(453)	(72)	(5,162)	-	(5,687)
Asset transfers	251	370	4,013	(4,634)	-
At 31 December 2018	**54,239**	**1,052**	**115,973**	**20,442**	**191,706**
Depreciation					
At 1 January 2018	6,106	43	49,549	-	55,698
Depreciation for the year	3,322	72	3,795	-	7,189
Disposals	(82)	(9)	(5,090)	-	(5,181)
Asset transfers	-	-	-	-	-
At 31 December 2018	**9,346**	**106**	**48,254**	**-**	**57,706**
Net book value					
At 31 December 2018	**44,893**	**946**	**67,719**	**20,442**	**134,000**
At 1 January 2018	47,670	711	62,774	8,756	119,911

Freehold land

Included in the net book value of land and buildings of £44,893,000 is an amount of £1,517,000 *(2017: £1,517,000)* that relates to freehold land.

13. Tangible fixed assets *(continued)*

Finance lease agreements

Assets subject to finance leases and included in the Company's financial statements have a net book value of £nil *(2017: £nil)*. The depreciation charged to the financial statements in the year in respect of such assets amounted to £nil *(2017: £nil)*.

Capital commitments

	2018	2017
	£000	£000
Contracted but not provided for in the financial statements	**11,176**	4,035

14. Investments in subsidiaries

	Cost	**Impairment provisions**	**Net book value**
	£000	**£000**	**£'000**
Balance at 1 January 2018 and 31 December 2018	**9,704**	**9,686**	**18**

The company had the following investments in subsidiaries at the end of the year:

	Country of incorporation	**Class of shares held**	**Ownership**	
			2018	2017
Ipsen Pty Ltd	Australia	Ordinary	100%	100%
Pothold Limited (dormant)	UK	Ordinary	100%	100%
Specwood Limited (dormant)	UK	Ordinary	100%	100%

15. Stocks

	2018	2017
	£000	£'000
Raw materials and consumables	**5,077**	3,753
Work in progress	**9,582**	9,142
Finished goods	**671**	231
	15,330	13,126

In the opinion of the directors, the replacement cost of stocks is not materially different from that shown above.

16. Debtors

	2018 £000	2017 £000
Trade debtors	**28,320**	22,140
Amounts owed by group undertakings	**144,259**	74,688
Other debtors	**5,849**	10,145
Prepayments and accrued income	**5,803**	2,999
Corporation tax	**50**	3,387
	184,281	113,359

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Included within amounts owed by group undertakings are loans of £104,331,000 *(2017: £37,396,000)* which are perpetual and repayable on demand. The interest rate on lending to UK group undertakings is set at 1 January each year at the current UK base rate plus 1%. In 2018 interest was charged at the rate of 1.5% *(2017: 1.25%)*. The interest rate on loans to overseas companies is based on the LIBOR three-month rate. In 2018 the average rate of interest charged was 0.52% *(2017: 0.87%)*.

All of the company's trade and other debtors have been reviewed for indicators of impairment and loans due from group undertakings are shown net of impairment losses of £7,265,000 *(2017: £7,265,000)*.

17. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Bank overdraft	**15**	3,944
Trade creditors	**13,582**	9,848
Amounts owed to group undertakings	**64,580**	58,191
Corporation tax	**4,894**	3,344
Tax and social security	**8,916**	6,787
Other creditors	**-**	18,711
Accruals and deferred income	**27,917**	33,525
	119,904	134,350

Included within amounts owed to group undertakings is a loan of £Nil *(2017: £1,930,000)*. The loan was repaid in 2018. In 2018, the loans from group companies were perpetual and interest was charged at the rate of 1.5% on loans from UK companies and at the rate of 1.22% on loans from overseas companies. The loans are repayable on demand.

Accruals and deferred income includes £12,438,000 *(2017: £15,831,000)* in respect of the current element of milestone income received in prior years under agreements that granted rights to develop, distribute and commercialise a pharmaceutical product for aesthetic use in the United States, Canada, Japan, Europe and certain other territories.

18. Creditors: Amounts falling due after more than one year

	2018 £000	2017 £000
Accruals and deferred income	**60,063**	39,822
	60,063	39,822

18. Creditors: Amounts falling due after more than one year *(continued)*

The accruals and deferred income balance relates to milestone income received in prior years under agreements that granted rights to develop, distribute and commercialise a pharmaceutical product for aesthetic use in the United States, Canada, Japan, Europe and certain other territories.

19. Deferred taxation

The deferred tax included in the balance sheet is as follows:

	2018	2017
	£000	£000
Deferred tax liability	**13,708**	11,026

Deferred tax relates to the following:

	2018	2017
	£000	£000
Fixed assets	**14,550**	12,816
Deferred income	**(546)**	(1,275)
Defined benefit pension liability	**(164)**	(507)
Deferred expenses	**(132)**	(8)
	13,708	11,026

The movement in the deferred taxation account during the year was:

	2018	2017
	£000	£000
Balance brought forward	**11,026**	7,912
Tax expense recognised in the income statement	**2,402**	3,026
Tax expense recognised in other comprehensive income	**280**	88
Balance carried forward	**13,708**	11,026

The amount charged to the income statement during the year was analysed as follows:

	2018	2017
	£000	£000
Fixed assets	**1,734**	2,195
Deferred income	**729**	555
Defined benefit pension liability	**63**	231
Deferred expenses	**(123)**	45
	2,403	3,026

20. Defined benefit pension liability

The Company sponsors the Ipsen Biopharm Limited (2012) Retirement Benefit Scheme, which is a final salary defined benefit arrangement. The scheme is governed by the Pension Acts and regulated by The Pension Regulator. The scheme was contracted-out of the earnings-related part of the state scheme under the Pensions Act 1993. For periods of scheme membership prior to 6 April 1997 the scheme must provide a

20. Defined benefit pension liability *(continued)*

minimum level of pension, known as a Guaranteed Minimum Pension, for all members who are subject to Class 1 National Insurance Contributions. The scheme was closed to the future accrual of benefits with effect from 31 August 2016.

The assets of the scheme are held separately from those of the Company and are administered and invested by an independent company. The scheme was set up under irrevocable Trusts and the principal objective is to achieve long-term growth in income and capital to enable, as far as possible, the protection of present and future pensions.

The Trustees of the scheme comprise representatives from both the Company and the members of the scheme, and an independent trustee. The Trustees ensure that the scheme is governed in accordance with the Trust Documents & Rules.

The Trustees have adopted an investment strategy which is intended to ensure that, as far as possible, the scheme has sufficient assets to provide benefits as and when they fall due. Investments are spread across the available range, both by type of investment (equities, bonds etc.) and geographically, to reduce the risk of a sharp fall in one particular market having a substantial impact on the whole fund. This strategy is based on the fundamental assumption that over the long-term equities will outperform gilts although in the short term the performance of equities may be more volatile than the performance of bonds which could in turn lead to unwelcome volatility in the Company's contribution rate.

The last full actuarial valuation of the scheme was carried out by a qualified independent actuary as at 1 June 2017 when it was assumed that investment returns would be 4.1% per annum and salary increases would average Nil% per annum *(2017 – 4.1%)* as the scheme was closed. The estimated market value of the fund at this date was £13,313,000. This valuation has been updated on an approximate basis to 31 December 2018 for the financial statements. The Scheme was closed to further accrual during 2016 and the financial impact is included in the year end values.

The amount recognised in the balance sheet is determined as follows:

	2018	2017
	£000	£000
Present value of funded defined benefit obligations	**14,574**	16,207
Fair value of plan assets	**(13,485)**	(13,090)
Recognised liability for defined benefit obligations and total employee benefits	**1,089**	3,117

Movements in present value of defined benefit obligations

	2018	2017
	£000	£000
At 1 January	**16,207**	15,912
Total service cost	**-**	-
Past service curtailment (gain)	**44**	-
Interest cost	**393**	414
Payments from plan assets	**(184)**	(146)
Actuarial (loss)/gain	**(1,886)**	27
At 31 December	**14,574**	16,207

20. Defined benefit pension liability *(continued)*

Movements in fair value of plan assets

	2018 £000	2017 £000
At 1 January	13,090	12,372
Contributions by employer	500	-
Return on plan assets	321	322
Payments from plan assets	(184)	(146)
Actuarial gain	(242)	542
At 31 December	13,485	13,090

Amounts recognised in the income statement in respect of the defined benefit schemes are as follows:

	2018 £000	2017 £000
Current service cost	-	-
Net interest cost	72	93
Past Service Cost (Amendment/Curtailment)	44	-
Total	116	93
Recognised in other comprehensive income:		
Re-measurement of gains on defined benefit pension plans	1,645	515

Plan assets and rates of return

The fair value of the plan assets and the return on those assets were as follows:

	2018 £000	2017 £000
Equities	8,253	7,998
Corporate bonds	5,044	4,922
Cash	188	170
Total	13,485	13,090
Actual return on plan assets	321	322

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

20. Defined benefit pension liability *(continued)*

Principal actuarial assumptions (expressed as weighted averages):

	2018	2017
	%	%
Discount rate	**2.81**	2.44
Expected rate of return on plan assets	**2.81**	2.44
Future salary increases	**n/a**	n/a
Other material assumptions (e.g. mortality rates, future pension increases, inflation)	**2.20**	2.20

In addition to the financial assumptions, the Company regularly reviews the mortality assumptions. The mortality assumption uses the same tables as the latest funding valuation of the scheme at 1 June 2014. They led to a further life expectancy for a male currently aged 65 of 22 years and for a female currently aged 65 of 24 years.

Sensitivity analysis

The actuarial assumptions reflect long-term expectations and variations from the assumptions will affect the valuation results in different ways. The valuation results are particularly sensitive to the financial assumptions. However, it is important to remember that the financial assumptions are related to each other and should not be considered in isolation. The differences between investment returns and each of salary growth, pension increases in payment and in deferment are more important than the absolute value of each individual assumption.

The results are also sensitive to the mortality assumption. Future longevity, and in particular its rate of improvement, is now a major risk factor in the ability of pension schemes to deliver the promised benefits. Substantial increases in longevity have been observed in recent years and it remains possible that these will continue to occur in the future.

The table below illustrates the approximate impact of changing certain key assumptions in isolation, with all other assumptions remaining unchanged. The results on the Funding Valuation assumptions adopted by the Trustees are also shown for comparative purposes.

Assumption	**Change**	**Past service liabilities £000**	**Total future contribution service rate %**
Funding Valuation basis	-	10,378	22.8%
Discount rate before retirement	+0.5% p.a.	9,808	22.0%
	-0.5% p.a.	10,988	23.7%
Discount rate after retirement	+0.5% p.a.	9,798	21.5%
	-0.5% p.a.	11,018	24.2%
Mortality after retirement	Life expectancy 1 year less	10,128	22.3%
	Life expectancy 1 year more	10,628	23.3%
Cash commutation	100% of members commute 25% of pension at £20 per £1 p.a. of pension	10,410	22.8%

20. Defined benefit pension liability *(continued)*

History of plan

The history of the plan for the current and prior periods is as follows:

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Present value of defined benefit obligations	14,574	16,207	15,912	13,280	14,111
Present value of plan assets	(13,485)	(13,090)	(12,372)	(10,393)	(9,354)
Deficit	1,089	3,117	3,540	2,887	4,757
Experience adjustments loss/(gain)					
On plan liabilities	(1,886)	27	4,035	(1,625)	672
On plan assets	242	(542)	(1,141)	(60)	68

The scheme was closed to further accrual on 31st August 2016 and no contributions are due from the Company to its defined benefit plan in the next financial year. The Company has committed to pay into the scheme £1,000,000 in 2019 and a further £610,000 in 2021.

21. Employee share schemes

Some of the Company's employees are granted various bonus share options and bonus shares by Ipsen SA.

Share option plans

Options granted by Ipsen SA are exercisable into shares four years after grant and expire between 8 and 10 years after grant. No performance conditions apply. The exercise price ranged from €34.68 to €36.64.

Bonus shares

Bonus shares are generally issued annually and comprise 2 categories; performance plans, which are contingent upon the Ipsen SA Group's achievement of certain performance condition, and non-performance, which have no performance conditions. These awards have vesting periods of between 2 and 4 years.

Details of the Ipsen SA share option plans and bonus shares applicable to the Company's employees are shown below:

Ipsen SA Ordinary shares	Stock options No. 000	Bonus shares No.000
At 1 January 2018	10	69
Awarded	-	22
Exercised/issued	(8)	(9)
Lapsed/cancelled	(2)	(8)
At 31 December 2018	**-**	**74**

During the year the Ipsen SA group launched an Employee Share Purchase Plan to enable employees to acquire shares in Ipsen SA at a discount. The cost of the Company's contribution to this scheme of £117,000 *(2017: £nil)* is included in Other costs.

22. Commitments under operating leases

The Company principally leases various offices and industrial premises under non-cancellable operating leases. The lease terms expire between 1 and 20 years and the majority of the lease agreements are renewable at the end of the lease period at market rate. Lease payments are reviewed at specific points within the remaining lease periods and additional rent payments may be due if the current market rate at the date of review exceeds the contracted rate.

Future non-cancellable operating lease rentals are currently payable as follows:

	2018 Land and buildings £000	**2018** Other Items £000	2017 Land and buildings £000	2017 Other Items £000
Operating leases which expire:				
Within 1 year	**1,935**	-	1,674	-
Within 2 to 5 years	**8,726**	-	8,368	-
After more than 5 years	**12,906**	-	14,578	-
	23,567	-	24,620	-

23. Contingent liabilities

The Company has entered into a cash pooling arrangement with Ipsen Pharma SAS, another Ipsen SA group company, under the terms of which it is jointly and severally liable for any exposure on the facility. No liability is expected to arise.

The Company provided a guarantee on behalf of its immediate parent company, Ipsen Developments Limited to third parties on the acquisition of a subsidiary. No liability is expected to arise.

As at 31 December 2018 there were no other contingent assets or liabilities that required disclosure in the Company's financial statements *(2017: £nil).*

24. Share capital

Authorised share capital:

A written resolution was passed in 2017 to remove the limit on the authorised share capital.

Allotted, called up and fully paid:

	2018 No	**2018** £000	2017 No	2017 £000
Ordinary shares of £1 each	**308,019**	**308,019**	308,019	308,019

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

25. Reserves

	Share premium £000	Retained earnings £000
Balance brought forward	10,109	54,973
Profit for the financial year	-	61,066
Balance carried forward	**10,109**	**116,039**

26. Accounting estimates and judgements

The preparation of Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

All accounting estimates used in preparing the financial statements are consistent with internal budgets and forecasts. Judgements are based on information available at each balance sheet date. Although these estimates are based on the best information available to management, actual results may ultimately differ from the estimates.

Turnover

Turnover from the sales of goods is reduced by estimates for future rebates. These reductions are dependent upon the submission of claims that may be some time after the initial recognition of the sale. Accruals are made at the time of sale for the estimated rebate based on available information and management judgement, and are reviewed regularly.

Royalties

The Company receives and pays royalties under distribution agreements with third parties. Due to the time delay in obtaining the underlying data royalty accruals are estimated based on available information and management judgement.

Research and development

Management have reviewed the Company's research and development activities and have made estimates and judgements on the amount of development expenditure it is appropriate to capitalise.

Intangible assets

The value of intangible assets comprises the price paid for software and licence fees as well as estimates of future cash flows, incorporating an appropriate discount rate, for acquired future development commitments. These estimates are based on management's internal forecasts, including evaluation and validation by experts in the field, and reflect best assessments of the costs involved to satisfy the commitments.

Impairment

Management have conducted an impairment review of intangible assets and had to make judgements as to the likelihood of them generating future cash flow, over what period those cash flows will be received and what costs are attributable against them.

Stock

Management have reviewed the value of internally generated stock and made estimates and judgements on the carrying value and the amount of the provision required to be recognised in the financial statements.

26. Accounting estimates and judgements *(continued)*

Defined benefit pension scheme

Management have made assumptions in relation to the valuation of the defined benefit scheme liability, in particular in relation to longevity assumptions, the application of a discount rate of 2.81% *(2017: 2.44%),* expected rates of returns on plan assets and future salary increases.

Taxation

The Company estimates tax liabilities for undetermined years. Any differences arising between the final tax liability and the amounts recorded in the financial statements will impact on the tax charge in the year in which the determination is made.

27. Ultimate parent company

The Company's immediate parent company and controlling party is Ipsen Developments Limited. The Company's ultimate parent company and controlling party is Beech Tree SA, which is incorporated in Luxembourg.

Beech Tree SA heads the largest group in which the results of the Company are consolidated. The smallest group in which the results of the Company are consolidated is that headed by Ipsen SA, which is incorporated in France. The consolidated financial statements of Ipsen SA are available to the public and may be obtained from 65 Quai Georges Gorse, 92100 Boulogne-Billancourt, France.

28. Post Balance Sheet events

Subsequent to the yearend, the Company agreed, in its Annual General Meeting, to the payment of an interim dividend of £113,000,000 to Ipsen Developments Limited *(2018: £Nil)*

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