

Registered number: 07256041

VANDA PHARMACEUTICALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021



VANDA PHARMACEUTICALS LIMITED
REGISTERED NUMBER: 07256041

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	4	23,702	40,431
Investments	5	19,329	32,866
		<u>43,031</u>	<u>73,297</u>
Current assets			
Debtors: amounts falling due after more than one year	6, 9	143,460	147,531
Debtors: amounts falling due within one year	6	105,501	113,109
Cash and cash equivalents	7	81,883	114,510
		<u>330,844</u>	<u>375,150</u>
Creditors: amounts falling due within one year	8	(243,663)	(309,318)
Net current assets		<u>87,181</u>	<u>65,832</u>
Total assets less current liabilities		<u>130,212</u>	<u>139,129</u>
Net assets		<u>130,212</u>	<u>139,129</u>
Capital and reserves			
Called up share capital	10	1	1
Non distributable reserves		32,865	32,865
Profit and loss account		97,346	106,263
Total equity		<u>130,212</u>	<u>139,129</u>

VANDA PHARMACEUTICALS LIMITED
REGISTERED NUMBER: 07256041

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS102 Section 1A-small entities.

The Non distributable reserves represent amounts contributed to the Company by its parent, Vanda Pharmaceuticals Inc., in order to facilitate investment in the Company's subsidiaries. The amount is not required to be repaid by the Company.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 September 2022.

Kevin Moran

K Moran

Director

The notes on pages 3 to 11 form part of these financial statements.

VANDA PHARMACEUTICALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. General information

Vanda Pharmaceuticals Limited (the Company) is a private company limited by shares, incorporated in England, and a wholly owned subsidiary of Vanda Pharmaceuticals Inc., a public company incorporated in the United States of America. The address of the Company's registered office is 25 Old Broad Street, Level 21a, London, United Kingdom EC2N 1HQ. Vanda Pharmaceuticals Inc. is a leading global biopharmaceutical company focused on the development and commercialization of innovative therapies to address high unmet medical needs and improve the lives of patients. The Company's principal activities are marketing and sales support activities around pharmaceutical products in the European Union.

2. Accounting policies

2.1. Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The members have agreed to the preparation of abridged accounts for this accounting period in accordance with Section 444(2A) of the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. A description of these critical estimates and judgments is set out in note 3.

In accordance with section 444(5A) & section 444(5B) of the Companies Act:

- the auditors' report for Vanda Pharmaceuticals Limited was unqualified;
- there were no matters to which the auditors drew attention by way of emphasis; and
- the auditor of the Company is PricewaterhouseCoopers LLP and the auditors' report was signed by Duncan Stratford, the Senior Statutory Auditor.

The following principal accounting policies have been applied:

2.2. Consolidation

The Company is a wholly-owned subsidiary of Vanda Pharmaceuticals Inc., and is included in the financial statements of Vanda Pharmaceuticals Inc., which are publicly available (see note 15). Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 401 of the Companies Act 2006.

VANDA PHARMACEUTICALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland:

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.8.

This information is included in the consolidated financial statements of Vanda Pharmaceuticals Inc. as at 31 December 2021 and these financial statements may be obtained from Securities and Exchange Commission.

2.4 Going concern

Based on review of management accounts forecasts the directors believe that it is appropriate to prepare the financial statements on a going concern basis. No material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors.

2.5 Turnover

Revenue from services is recognised on a cost or cost plus basis, based on work done and billed as per terms of agreement.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

VANDA PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.6. Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold improvements	- 81 months
Furniture and fixtures	- 81 months
Computer and other equipment	- 36 months

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Beginning December 2020, the Company adjusted the useful life of its capitalized leasehold improvements and furniture and fixtures from 57 months to 81 months. The change in useful life was made as a prospective adjustment and reflects the new term of the non-cancellable portion of the operating lease for the Company's registered office (see note 12).

2.7. Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8. Debtors

Short term debtors are measured at transaction price, less any impairment.

2.9. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10. Creditors

Short term creditors are measured at the transaction price.

VANDA PHARMACEUTICALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.11. Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.12. Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

VANDA PHARMACEUTICALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. Critical accounting judgments and estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management continually re-evaluates its judgments, estimates and assumptions, and management's evaluation could change. Actual results could differ from those estimates.

i. Useful economic lives of tangible assets (note 4)

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the asset. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technical advancement, future investments, economic utilisation and the physical condition of the assets. See note 2 for a discussion of the useful lives of tangible assets and see note 4 for the carrying amount of the tangible assets.

ii. Impairment on investment (note 5)

Management regularly considers whether there are any indications of impairment in the carrying amounts of investment in subsidiaries. These indicators may be related to both internal factors, such as a worse economic performance than expected, and external factors, such as significant adverse changes in the environment in which the entity operates. If the investment's carrying amount is determined to be greater than its recoverable amount, an impairment loss is recognized. At each balance sheet date, consideration is also given as to whether there is any indication that an impairment loss recognised in prior periods needs to be reversed. The carrying amount of the investment is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an investment is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. During the year the Company impaired the investment it holds in Vanda Pharmaceuticals GmbH (see note 5).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. Tangible assets

	Leasehold improvements £	Furniture and fixtures £	Computer and other equipments £	Total £
Cost or valuation				
At 31 December 2020	321,001	76,342	56,416	453,759
At 31 December 2021	321,001	76,342	56,416	453,759
Accumulated depreciation				
At 31 December 2020	288,338	68,574	56,416	413,328
Charge for the year on owned assets	13,516	3,213	-	16,729
At 31 December 2021	301,854	71,787	56,416	430,057
Net book value				
At 31 December 2021	19,147	4,555	-	23,702
At 31 December 2020	32,663	7,768	-	40,431

5. Investments

	Investments in subsidiary companies £
Cost or valuation	
At 31 December 2020	32,866
Impairment	(13,537)
At 31 December 2021	19,329

VANDA PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. Investments (continued)

Subsidiary undertakings:

The following are subsidiary undertakings of the Company:

Name	Country of incorporation	Principal activity	Class of shares	Holding
Vanda Pharmaceuticals Germany GmbH	Germany	Sales and marketing	Ordinary	100%
Vanda Pharmaceuticals GmbH	Switzerland	Sales and marketing	Ordinary	100%

6. Debtors

	2021	2020
	£	£
Amounts falling due after more than one year		
Deposits	130,926	136,702
Deferred tax asset (note 9)	12,534	10,829
	<u>143,460</u>	<u>147,531</u>
	2021	2020
	£	£
Amounts falling due within one year		
Other debtors	17,208	25,548
Prepayments and accrued income	88,293	87,561
	<u>105,501</u>	<u>113,109</u>

7. Cash and cash equivalents

	2021	2020
	£	£
Cash at bank	81,883	114,510
	<u>81,883</u>	<u>114,510</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

8. Creditors: Amounts falling due within one year

	2021	2020
	£	£
Amounts owed to group undertakings	195,190	225,135
Corporation tax	3,840	15,311
Other creditors	5,510	27,203
Accruals	39,123	41,669
	<u>243,663</u>	<u>309,318</u>

9. Deferred Taxes

	2021	2020
	£	£
At beginning of year	10,829	544
Charged to profit or loss	1,705	10,285
At end of year	<u>12,534</u>	<u>10,829</u>

The deferred tax balance is made up as follows:

	2021	2020
	£	£
Fixed asset timing differences	5,789	5,457
Short term timing differences - trading	6,745	5,372
Deferred tax asset	<u>12,534</u>	<u>10,829</u>

10. Called up share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
1 (2020: 1) Ordinary share of £1	<u>1</u>	<u>1</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

11. Share-based payments

The Company has taken the exemption available in FRS 102 Section 1A not to disclose share-based payments.

12. Commitments under operating leases

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2021	2020
	£	£
Not later than 1 year	187,200	190,563
Later than 1 year and not later than 5 years	30,260	217,460
	<u>217,460</u>	<u>408,023</u>

In 2020, the non-cancellable portion of the operating lease was extended from May 2021 to May 2023. The lease can be extended for a period of another 3 years, at the option of the Company.

13. Post balance sheet events

On 20 September 2022, Vanda Pharmaceutical Inc. purchased an additional 112,000 of share capital of the Company at a par value of £1 for £112,000.

On 20 September 2022, the Company contributed CHF 125,000 into the capital contribution reserves of Vanda Pharmaceuticals GmbH.

14. Related party transactions

Turnover is a result of sales and marketing services provided by the Company which are reimbursed on a cost or cost-plus basis by the US parent.

Details of amounts owed to related parties are given in note 8.

Details of the parent undertaking and the smallest and largest group in which the Company is included in consolidated financial statements are given in note 15.

15. Controlling parties

The Company's immediate and ultimate parent is Vanda Pharmaceuticals Inc. which is incorporated in the United States of America. Vanda Pharmaceuticals Inc's registered address is 2200 Pennsylvania Ave NW, Suite 300E, Washington. Consolidated financial statements for Vanda Pharmaceuticals Inc. are publicly available from the Securities and Exchange Commission.