REGISTERED NUMBER: 00107582 (England and Wales)

VECTURA GROUP SERVICES LIMITED

00107582

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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VECTURA GROUP SERVICES LIMITED
COMPANY INFORMATION

DIRECTORS	J Murphy C Williams (appointed 09 August 2023)
COMPANY SECRETARY:	J Murphy
REGISTERED OFFICE:	Manning House, 22 Carlisle Place Westminster, London SW1P 1JA United Kingdom
REGISTERED NUMBER:	00107582 (England and Wales)
INDEPENDENT AUDITOR:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 40 Clarendon Road Watford Hertfordshire WD17 1JJ
PRINCIPAL BANKER:	HSBC UK Bank PLC Level 7, Thames Tower Station Road Reading, Berkshire RG1 1LX United Kingdom

STRATEGIC REPORT

The Directors present their strategic report for the affairs of Vectura Group Services Limited (the "Company"), together with the audited financial statements for the year ended 31 December 2022.

Principal activities

The principal activities of the Company are that of an investment holding and group treasury entity. The principal activities of the operating subsidiaries held by the Company, directly and indirectly, are pharmaceutical development services relating to inhaled medicines, formulation science and device technology.

Fair review of the business

The Company's profit after tax for the year amounted to £31.5m (2021: £119.0m). The Company's net interest income is earned from providing finance to wider group companies and amounted to £1.8m for the year ended 31 December 2022 (2021: £1.7m). Dividend income of £27.2m (2021: £107.7m) was recognised in the year upon receipt of a dividend from one of the Company's subsidiaries, Vectura Group Investments Limited.

The Company's net assets have increased to £288.0m (2021: £256.5m), which has been driven by the profit after tax of £31.5m. Over the course of 2022, the Company provided intragroup overdraft funding to its subsidiary, Vectura Limited, for ongoing R&D activities in the amount of £31.3m. An amount of £17.2m was repaid during 2022 by the Company's US subsidiary, Skyepharma US Holdings Inc.

The Company has access to an overdraft in the amount of £50.0m from a fellow group affiliate within the wider Philip Morris group which remained undrawn as at 31 December 2022, as well as at the date of signing this annual report.

The Directors expect the Company to continue to hold its investments in operating subsidiaries for the foreseeable future. Consequently, the likely future developments of the Company depend, to a certain extent, on the activities of these subsidiaries.

Future developments

The Directors expect the Company to continue to hold its investments in operating subsidiaries for the foreseeable future. Consequently, the likely future developments of the Company depend, to a certain extent, on the activities of these subsidiaries.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are:

- decline in value of the Company's investments in its subsidiary caused by potential deterioration in future cash flows of the underlying business in the subsidiaries' operations
- adverse movement in foreign exchange rates in which the company holds investments

In order to mitigate the risk of decline in value of subsidiary investments, the Company carefully monitors performance of the underlying business in the subsidiaries. In the event of adverse results, the Company is well placed to respond to issues as they emerge.

In order to address the risk surrounding foreign exchange, the Company endeavours to maintain foreign exchange exposure at the minimum required for the ongoing needs of the business.

Research and development

As an investment holding company, Vectura Group Services Limited does not carry out any research and development activities.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a number of financial risks as detailed below. The Company is funded principally through historic earnings and invests surplus funds in short-term (typically three months) bank deposits. The Company has access to the majority of these deposits at a maximum of 24 hours' notice.

Currency risk: Exposure arises from foreign currency-denominated trading transactions which are not hedged. Such currency exposure is reduced, where possible, by matching foreign currency revenues with expenditure in the same foreign currency.

Credit risk: The Company is exposed to credit risk through its loans to subsidiaries. The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history and existing market conditions as well as forward-looking estimates at the end of each reporting period. There were no impairment losses recognised in profit and loss in the year and the expected credit losses are immaterial.

Liquidity risk: Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the Company. The Company's policy is to maintain continuity of funding through available cash and cash equivalents; the RCF facility being also available and currently undrawn.

Approved by the Board on 23 November 2023 and signed on its behalf by

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Chad Williams

Director
23 November 2023

DIRECTORS' REPORT

The Directors present their report on the affairs of the Company ("Vectura Group Services Limited"), a private company limited by shares, incorporated and domiciled in England and Wales under the Companies Act 2006, together with the audited financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company. The Company is a wholly owned subsidiary of Philip Morris International Inc, which is the largest and smallest entity to consolidate the Company's result.

GOING CONCERN

The Company made a profit of £31.5m for the year ended 31 December 2022 (2021: profit of £119.0m). The Company has net assets of £288.0m as at 31 December 2022 (31 December 2021: £256.5m) and a cash position of £19.6m (2021: £4.3m). Furthermore, the Company has access to a £50.0m multi-currency revolving credit facility with a fellow group affiliate, Philip Morris Finance SA, and is able to draw down against the facility. This facility expires in December 2023 and remains undrawn.

The Directors have prepared cash flow forecasts in order to assess going concern, which indicate that the Company will have sufficient funds to meet its liabilities as they fall due during the going concern assessment period. Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

DIVIDENDS

The Company paid £nil of interim dividends to the parent company, Vectura Group Limited, within the financial year 2022 (2021: £67.0m). The Company received dividend income from Swiss subsidiary of £27.2m (2021: £107.7m).

DIRECTORS

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

P Fry (resigned 31 March 2022)
W Downie (resigned 31 March 2022)
E Knowles (appointed 31 March 2022, resigned 31 July 2023)
J Murphy (appointed 31 March 2022)
C Williams (appointed 09 August 2023)

Directors' indemnities and Directors' and Officers' liability insurance

A qualifying third-party indemnity provision (but not a qualifying pension scheme indemnity provision) for the benefit of the Directors was in force throughout the year and remain in force as at the date of approving the Director's report. The insurance for the Directors and Officers in respect of liabilities which could arise in the discharge of their duties is included in the policy of the ultimate parent company.

EMPLOYEES

The number of employees in the year was nil (2021: nil).

POLITICAL AND CHARITABLE CONTRIBUTIONS

No political or charitable contributions were made during the year (2021: £nil).

SECTION 172(1) STATEMENT

The Board is primarily responsible to shareholders for the overall direction and control of the Company and has the powers and duties set out in the Companies Act 2006 (the "Act") and the Company's Articles of Association. In accordance with section 172 of the Act, the Directors act in a way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard amongst other things to the interests of its wider stakeholders.

The long-term success of the business is dependent on the way we work with stakeholders and continues to require effective engagement, constructive working practices and a recognition of stakeholder views in order to create value for our shareholders and wider stakeholders. Vectura's values underpin the making of decisions in respect of the business.

The Company's stakeholders are our shareholders as the owners of the Company, suppliers and the communities in which we operate. With regard to our shareholders, we have a responsibility to be transparent and open about our strategy and our financial performance to enable them to make informed investment decisions.

With regard to suppliers, the Company's procurement department works closely with its counterparties to foster good relations and endeavour to understand and take into consideration the interests of suppliers, as far as it is practicable.

The Company sets out in its policies and procedures its expectations for maintaining a reputation for high standards of business conduct in accordance with Section 172(1) (e). Its policies and procedures, are set in conjunction with the ultimate controlling party, Philip Morris International Inc. Compliance with such policies and procedures are monitored, as appropriate, to ensure that employees conduct themselves in line with appropriate standards set by our owning entity, its management and ultimate shareholders.

INDEPENDENT AUDITOR

The auditor, PricewaterhouseCoopers LLP, has indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

INFORMATION PROVIDED TO THE AUDITOR

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

POST BALANCE SHEET EVENTS

The Company had two reportable post balance sheet events as at the date of authorisation of these financial statements. See note 12 of this report.

The Directors' Report has been approved and signed on behalf of the Board by:

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John Murphy
Director
23 November 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Signed on behalf of the Board on 23 November 2023.

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John Murphy
Director
23 November 2023

Independent auditors' report to the members of Vectura Group Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Vectura Group Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2022; the Income statement and the Statement of changes of equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislations and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries to manipulate results and management bias in making accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliancewith laws and regulation and fraud around actual and potential frauds, litigations or claims against or by the company;
- Reviewing financial statement disclosure and testing to support documentation to assess compliance with applicable laws and regulations;
- Auditing the risk of management override of controls, including through testing journal entries and evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing minutes of meetings of those charged with governance; and
- Testing the appropriateness of accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

E Sowerby

Emma Sowerby (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
27 November 2023

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022	Year ended 31 December 2021
		£m	£m
Net interest income	4	**1.8**	1.7
Total income		**1.8**	1.7
Corporate and administrative expenses	6	**(0.4)**	(1.3)
Loss on disposal of investment in subsidiary		**-**	(6.3)
Reversal of impairment		**-**	17.1
Other income		**0.4**	0.5
Dividend income	8	**27.2**	107.7
Foreign exchange movements		**0.6**	(0.5)
Profit before tax		**29.6**	118.9
Net tax credit	9	**1.9**	0.1
Profit for the financial year		**31.5**	119.0

All results are derived from continuing operations and are attributable to the parent.

There were no differences between the income statement result for the year and total comprehensive income, therefore a separate statement of other comprehensive income has not been disclosed.

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2022

	Note	2022 £m	2021 £m
ASSETS			
Non-current assets			
Property, plant and equipment		**0.7**	1.0
Investments in subsidiary undertakings	10	**147.7**	147.7
Amounts due from subsidiary undertaking	11	**113.4**	93.2
Deferred tax asset	9	**5.1**	3.2
Total non-current assets		**266.9**	245.1
Current assets			
Amounts owed by group undertakings	11	**2.1**	8.0
Other receivables		**0.2**	0.2
Cash and cash equivalents		**19.6**	4.3
Total current assets		**21.9**	12.5
Total assets		**288.8**	257.6
LIABILITIES			
Current Liabilities			
Lease liabilities	12	**(0.3)**	(0.3)
Total current liabilities		**(0.3)**	(0.3)
Non-current Liabilities			
Provisions		**(0.1)**	(0.1)
Lease liabilities	12	**(0.4)**	(0.7)
Total non-current liabilities		**(0.5)**	(0.8)
Total liabilities		**(0.8)**	(1.1)
NET ASSETS		**288.0**	**256.5**
EQUITY			
Share capital	13	**-**	-
Retained earnings		**288.0**	256.5
Total shareholders' funds		**288.0**	**256.5**

The accompanying notes form part of these financial statements.

The financial statements of Vectura Group Services Limited, registered Company number 00107582,were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

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Chad Williams
Director
23 November 2023

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £m	**Retained earnings £m**	**Total equity £m**
At 1 January 2021	**-**	**204.5**	**204.5**
Profit for the year	-	119.0	119.0
Dividend to parent entity	-	**(67.0)**	**(67.0)**
At 31 December 2021	**-**	**256.5**	**256.5**
Profit for the year	-	31.5	31.5
At 31 December 2022	**-**	**288.0**	**288.0**

As at 31 December 2022, the Company's share capital consists of 1,001 shares at £1 par value each (2021: 1,001 shares at £1 par value) directly attributable to the Company's parent entity, Vectura Group Limited.

The Directors do not propose the payment of a final dividend to the Company's parent entity, Vectura Group Limited, for 31 December 2022 (2021: £nil). No interim dividends were paid in the year (2021: £67.0m).

The accompanying notes form part of these financial statements.

1. General Information

Vectura Group Services Limited is a wholly owned subsidiary of Vectura Group Limited. The Company retains the equity interests associated with the Vectura Group's operations in the United Kingdom, Switzerland and Ireland.

The principal activity of the Company is that of an investment holding company.

These financial statements are presented in pounds sterling rounded to the nearest £0.1m. The presentational and functional currency is sterling being the primary currency of the UK economic environment in which the Company operates.

These financial statements are separate financial statements. The smallest and largest group to consolidate Vectura Group Services Limited is Philip Morris International Inc. The Company is exempt from the preparation and delivery of consolidated financial statements because it is included in the group financial statements of Philip Morris International Inc.

2. Basis of preparation

The financial statements of UK GAAP Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

In preparing these financial statements, which are prepared using the historical cost convention and on a going concern basis, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

The preparation of financial statements in conformity with FRS 101 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 in note 3.

The Company has not prepared consolidated financial statements including its direct and indirect subsidiaries by virtue of the exemption to produce consolidated financial statements provided by the Companies Act 2006, s. 401.

The accounting policies as described below are based on the requirements of the Companies Act 2006 and FRS-101 and have been consistently applied. All Standards, Amendments and Interpretations under IFRS as applicable to FRS-101 have been applied throughout the year. There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the company's financial statements. No new standards or interpretations have been early adopted in the year.

The following automatically available FRS 101 disclosure exemptions have been taken:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures of transactions with a management entity that provides key management personnel services; and
- An additional balance sheet for the beginning of the earliest comparative period following retrospective change in accounting policy, the correction of error, or the reclassification of items in the financial statements

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under the FRS 101 available in respect of the following disclosures:

- Disclosure requirements of IFRS 16 – Leases
- The disclosures required by IAS 24 – Related Party disclosures
- The disclosures required by IAS 36 – Impairment of non-current asset

2. Basis of preparation (continued)

Measurement convention

These financial statements are prepared using the historic cost convention. Individual assets and liabilities are accounted for in line with the relevant accounting standards applicable to their units of account.

Going concern

The Company made a profit of £31.5m for the year ended 31 December 2022, (2021: profit of £119.0m). The Company has net assets of £288.0m as at 31 December 2022 (31 December 2021: £256.5m) and a cash position of £19.6m (2021: £4.3m). Furthermore, the Company has access to a £50.0m multi-currency revolving credit facility with a fellow group affiliate, Philip Morris Finance SA, and is able to draw down against the facility. This facility expires in December 2023 and remains undrawn. In June 2023, the Company provided an intercompany overdraft facility of £50.0m to Vectura GmbH, of which £19.0m had been drawn down as at the date of authorising these financial statements. This has no detrimental impact on going concern, as the Company has access to sufficient funding via its own overdraft facility of up to £50.0m with a fellow Group affiliate within the wider PMI Group.

The Directors have prepared cash flow forecasts in order to assess going concern, which indicate that the Company will have sufficient funds to meet its liabilities as they fall due during the going concern assessment period. Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty

The critical accounting judgements and key sources of estimation uncertainty that have a significant risk of causing material adjustment to future periods relate to impairment of investments. These critical estimates and significant judgements include the forecasting of the quantum and timing of future cash flows, costs of disposal under the 'fair value less costs to sell approach', growth rates applied to terminal values and the discount rate applied to forecasting models.

The Directors do not consider there to be any other significant judgements or critical estimates used in preparing the financial statements that may have a material effect on future periods.

3. Significant accounting policies

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are as set out below.

Foreign currency translation

The Company's financial statements are presented in sterling, which is also the company's functional currency. Transactions and balances in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Dividends

Unless paid in year, final dividends are recognised as a liability in the period in which the dividends are approved by shareholders. Interim dividends are recognised in the period in which they are paid. Dividends receivable are recognised as an asset when they are approved.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: an identified physically distinct asset can be identified; the Group has the right to obtain substantially all of the economic benefits from the asset throughout the period of use; and has the ability to direct the use of the asset over the lease term being able to restrict the usage of third parties as applicable.

3. Significant accounting policies (continued)

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. These are calculated as follows:

Lease liabilities
Lease liabilities are measured at the present value of the remaining lease payments, discounted at an applicable incremental borrowing rate, which are obtained from a financial institution privy to the facts, circumstances, location, security and term of each lease liability.

Non-lease service charges are combined into property leases, which are treated as a single lease component. The effective interest method will be used for calculating the amortised cost of a finance lease and allocating interest income over the relevant period on a lease by lease basis.

Under IFRS 16, liabilities for future periods that can be cancelled by exercising a break clause are not to be included in the lease liability unless it is reasonably certain at the reporting date that the Company will extend the committed lease term and not exercise the break clause.

Right-of-use assets
Right-of-use assets will be measured at an amount equal to the lease liability, except where there is considered to be a significant difference between the lease liability and the asset value calculated as though IFRS 16 had always been applied.

Taxation

The net taxation charge / credit on the profit for the year includes current and deferred tax. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received using tax rates enacted at the reporting date.

Deferred taxation is recognised on all temporary differences arising between the local tax bases of assets and liabilities and their carrying amounts in the Company's financial statements. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Deferred tax is not discounted and is measured at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on legislation enacted or substantively enacted at the balance sheet date.

Investments in subsidiaries

Investments held as fixed assets comprise the Company's investment in subsidiaries and are shown at historic purchase cost less any provision for impairment. The carrying amounts are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists then the recoverable amount of the asset is estimated to ensure that the carrying value remains supported.

Impairment of investments in subsidiaries

Investments in subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Intercompany receivables

Receivables are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method, subject to reduction for allowances for estimated irrecoverable amounts. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of those receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand, if used, form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

3. Significant accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4. Net interest income

Intercompany interest receivable of £1.8m (2021: £2.6m) accrues on the intercompany receivable positions as per the rate stated in the intercompany agreement. This is offset by intercompany interest expense of £nil (2021: £0.9m) arising from the loan with Vectura Group Limited for the transfer of Vectura Group Investments Limited. This loan was paid off as part of 2021 dividend movements.

5. Operating profit

Operating profit is stated including the following costs:

	Year ended 31 December 2022	Year ended 31 December 2021
	£m	£m
Auditor's remuneration	**0.1**	0.1
Depreciation of right of use assets	**0.3**	0.4

6. Corporate and administrative expenses

Expenses include fees payable for the audit of the annual financial statements of £0.1m (2021: £0.1m) and depreciation related to the IFRS 16 lease for Manning House of £0.3m (2021: £0.4m). No remuneration was paid to the Company's auditor for non-audit services (2021: Nil).

7. Directors' remuneration

The Directors did not receive any remuneration attributable to qualifying services directly related to the Company (2021: £nil). Aggregate Directors" remuneration can be found in the financial statements of the immediate parent company, Vectura Group Limited.

8. Dividend income

The Company received dividend income in the year from its Swiss subsidiaries in the amount of £27.2m (2021: £107.7m).

9. Net tax credit

The Company's Effective Tax Rate is a 6.4% credit (2021: 0.1% credit). The current year tax credit of £1.9m (2021: £0.1m charge) relates to dividend income being exempt from Corporation Tax and other accounting debits and credits in profit and loss not being taxable or deductible.

9. Net tax credit (continued)

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Profit/(loss) before tax	**29.6**	118.9
Profit/(loss) before tax multiplied by standard rate of UK corporation tax of 19% (2021: 19%)	(5.6)	(22.6)
Effects of:		
Deferred tax recognised in the year	1.9	(0.2)
Dividend income exempt from Corporation Tax	5.1	20.5
Reversal of impairment	-	3.3
Loss on disposal of investment in subsidiary	-	(1.3)
Other permanent differences	-	0.4
Utilisation of tax losses not previously recognised	0.5	-
Total tax credit for the year	**1.9**	0.1

The Company has £93.5m (2021: £99.4m) of unrecognised accumulated tax losses relating to management charges and loan relationships, which is an unrecognised deferred tax asset of £23.4m (2021: £25.6m).

Deferred tax assets of £5.1m were recognised as at 31 December 2022 (31 December 2021: £3.2m). The deferred tax asset is recognised in respect of the carried forward non-trade loan relationship losses which are expected to be utilised against interest income charged by the Company on intercompany receivables over the next 10 years.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

10. Investments in subsidiary undertakings

	2022 £m	2021 £m
At 1 January	**147.7**	159.6
Return of capital contribution	-	(11.9)
At 31 December	**147.7**	147.7

The aggregate value of investments at 31 December 2022 is £147.7m (2021: £147.7m).

Details of the Company's subsidiaries as at 31 December 2022 and related undertakings are listed below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are indirectly held by the Company.

Name of undertaking	Book Value £m	Country of incorporation	Holding	Proportion held	Nature of business
Vectura Group Investments Limited	147.7	UK[1]	Ordinary	100%	Trading
Vectura GmbH	nil	Germany[2]	Ordinary	100%	Trading
Skyepharma Holding AG	nil	Switzerland[3]	Ordinary	100%	Trading
Vectura Ireland Limited	nil	Ireland[4]	Ordinary	100%	Trading
Skyepharma Holding Inc	nil	USA[5]	Ordinary	100%	Non-trading

10. Investments in subsidiary undertakings (continued)

The carrying amounts of the Company's investments are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists then the recoverable amount of the asset is estimated to ensure that the carrying value remains supported.

[1] One Prospect West, Chippenham, Wiltshire, SN14 6FH, United Kingdom
[2] Dingolfinger Strasse 15, 81673, Munich, Germany
[3] Enterprise Office Plot No. 23-S, Messeturm 10, 4058 Basel, Switzerland
[4] Block 2, Newtonmountkennedy Business Park, Newtonmountkennedy, Wicklow, A63 XV26, Republic of Ireland
[5] CSC Global, 251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808, USA

11. Amounts due from group undertakings

Non-current amounts receivable

Intercompany long-term receivables of £113.4m (2021: £93.2m) include sterling denominated receivables from the Swiss subsidiaries of £76.0m (2021: £76.0m). It is also comprised from the £50.0m revolving intercompany facility towards Vectura Limited, out of which £37.4m is drawn down as at the balance sheet date (2021: £nil). £44.0m was drawn down as at the time of signing the financial statements in 2023. This revolving intercompany facility is repayable on demand and bears interest at a variable rate ranging from 1.778% to 5.3922% in the year. Amounts in 2021 also include an intercompany loan to Skyepharma Holding Inc of £17.2m, which was fully repaid in year.

	Skyepharma Holding AG	Skyepharma US Holdings Inc	Vectura Limited	Total long-term intercompany receivables
	£m	£m	£m	£m
At 1 January 2022	**76.0**	**17.2**	-	**93.2**
Additions	-	-	31.3	31.3
Interest	-	-	-	-
Payments received	-	(17.2)	-	(17.2)
Reclassified from current to non-current	-	-	6.1	6.1
At 31 December 2022	**76.0**	**-**	**37.4**	**113.4**

Intercompany receivables include interest applied at fixed interest rates. Accordingly, the fair values of the loans are subject to fluctuation as market rates change.

Current amounts receivable

Current amounts due from group undertakings amounting to £2.1m (2021: £8.0m). The majority of this amount relates to a current receivable of £1.3m from Skyepharma Holdings AG, the Company's direct subsidiary. The £8.0m from 2021 from the loan facility with Vectura Limited has now been classified as non-current.

The loan with Vectura Group Limited for the transfer of Vectura Group Investments Limited, was paid off in 2021 as part of the dividend movements.

12. Lease liabilities

Lease liabilities of £0.7m (2021: £1.0m) relate to the property lease for the Company's registered office in London. The total lease cost for the year was £0.5m (2021: £0.2m) and is included within 'corporate and other expenses' in the income statement.

12. Lease liabilities (continued)

The maturity of the lease liabilities is presented below:

	31 December 2022	31 December 2021
	£m	£m
Within one year	**(0.3)**	(0.3)
Between two and five years	**(0.4)**	(0.7)
Total lease liabilities	**(0.7)**	(1.0)

13. Called up share capital

Allotted, called up and fully paid:

Number	Class	Nominal value	**2022 £m**	2021 £m
1,001	**Ordinary**	**£1.00**	**-**	-

14. Events after the reporting period

An overdraft agreement between Vectura Group Services Limited and Vectura GmbH was signed in June 2023, to make available to Vectura GmbH up to £19.0m. This intercompany facility is repayable on demand and bears interest at 6.5%. Vectura GmbH will pay monthly interest and adhere to the conditions of loan.

In October 2023, the Company's indirect Swiss subsidiaries Jagotec AG, Skyepharma AG and Skyepharma Management AG completed a legal merger under Swiss law. The sole remaining entity is Jagotec AG. This has no financial impact from the perspective of the Company and the investment value remains recognised at £nil (2021: £nil).

15. Ultimate parent company

The Company's immediate parent is Vectura Group Limited, a company incorporated in England and Wales.

The smallest and largest group into which the results of the Company are consolidated is that of the ultimate controlling party, Philip Morris International Inc. which is incorporated in the United States of America.

Copies of the Philip Morris International Inc. group financial statements can be obtained at its registered address at:

120 Park Avenue
New York City
NY
United States
10017