



UCB PHARMA LIMITED

Annual Report for the
year ended 31 December 2022

Company registration number: 00209905



	Page(s):
Strategic Report	1-2
Directors' Report	3-5
Statement of Directors' Responsibilities	6
Independent auditor's report to the members of UCB Pharma Limited	7-9
Statement of comprehensive income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the financial statements	13-27

UCB Pharma Limited
STRATEGIC REPORT
FOR THE YEAR ENDED 31 December 2022

The directors present their Strategic Report of UCB Pharma Limited (the "Company") for the year ended 31 December 2022, detailing the main factors impacting upon the business during the year and a review of progress.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The Company is a member of the UCB Group which is a multinational bio-pharmaceutical Company.

The principal activity of the Company, registered number 00209905, is the sale and marketing of a range of branded specialty pharmaceutical products.

The Company made a profit before taxation of £10.5 million (2021: £7.6 million), and has net assets of £84.2 million (2021: £73.4 million) at the Balance Sheet date.

Turnover increased during the year by 2% to £124million (2021: decrease to £121 million). This is mainly due to increased sales volumes of Bimzelx and Neupro. Bimzelx began commercial sales in 2021 and benefited from growing patient base and a full year of sales in 2022, Neupro sales increased as a result of a new commercial arrangement. Sales of our core products remain good and were partially offset by reduction in sales of our established brand portfolio.

RISKS AND UNCERTAINTIES

A global Risk Management policy, applicable for the whole UCB Group and its affiliates worldwide, describes the UCB Group's commitment to provide an effective risk management system across the Company in order to minimise its exposure to risks that could threaten the UCB Group's corporate objectives.

The Group Board of Directors is responsible for approving the UCB Group's strategy, goals and objectives and overseeing the establishment, implementation and review of the Group's risk management system.

The main risk faced by the Company relates to financial risk, in particular pricing. In order to mitigate this risk, the Company conducts financial risk assessments on a regular basis.

Pricing of products in the United Kingdom is reviewed both in relation to pricing competition and cost benefit (health economics) analyses. The Company believes it operates within the guidelines set out by the various competent authorities, particularly the United Kingdom Department of Health (DOH) under the 2019 Voluntary Scheme for Branded Medicines Pricing and Access (VPAS).

The Company is a member of the Scheme, which aims to limit the growth in the DOH branded medicine budget over a five year period. A percentage of sales rebate is payable to the DOH during 2019 - 2023 based on the previous years growth in the branded medicine spend. For 2022 this percentage was 15%, and for 2021 it was 5.1%. The Company is also a member of the Association of the British Pharmaceutical Industry (APBI) which undertakes these negotiations with the DOH.

The Company's performance is impacted by parallel trade. Management will be monitoring the parallel trade situation closely as there may be changes in trading following the United Kingdom's exit from the European Union at the end of 2020.

Other insurable risks are insured by the Company to the extent that the directors consider appropriate having due regard to the considered impact from said risk.

COMPLIANCE

Compliance with all applicable laws, regulations and conducting business in an ethical manner always remains a top priority. In the financial year 2022, no major compliance issues were identified. Previous audits have repeatedly indicated that the current compliance systems are robust and adequate to meet with the current regulatory requirements.

The UCB Group is committed to conducting its worldwide business in such a manner that it protects the health and safety of people and preserves the environment. The Company is committed to ensuring the health, safety and welfare of all its employees and other persons involved in our business operations. It is therefore Company policy to manage its activities to ensure compliance to legal obligations as well as avoid unacceptable risks to persons and the environment in which we operate.

SECTION 172 (1) STATEMENT

The directors have a duty to promote the success of the Company which is a key consideration when determining the Company's strategy. The directors ensure they have suitable access to information to allow them to make informed business decisions and the directors consider whether they possess sufficient information regarding the stakeholder interests which are affected by their actions. In instances when the directors do not have all the information relevant to a decision, it is important to consider the expertise of others and care is taken to assess the source, quality and quantity of all information available.

Delivering UCB's strategy requires strong mutually beneficial relationships with suppliers, customers, government, National Health Authorities and other partners. The Company seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships and this alongside other standards are reviewed and approved by the Board periodically.

The Board of the Group also reviews and approves UCB's approach to suppliers which is set out by UCB's Global Purchasing function. The businesses continuously assess the priorities related to customers and those with whom we do business, and the Board engages with the businesses on these topics, for example, within the context of business strategy updates and investment proposals.

Moreover, the directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. These range from information provided from the Purchasing function (on suppliers and supplier contract management topics) to information provided by the businesses (on customers for example, business strategies, projects and investment or divestment proposals).

The directors aim to attract and retain talented employees from diverse backgrounds and industries by building a world-class culture based on integrity, respect and inclusion in which people have opportunities to do purpose-driven work that impacts customers, communities and co-workers globally.

KEY PERFORMANCE INDICATORS (KPI'S)

The Company uses a series of Key Performance Indicators (KPI's), such as debtor days, stock days and gross profit margin to measure the performance of the Company. As a result debtors are on terms of 60 days credit and stocks are targeted at limits of 56 days need. Targets are set for gross margin on a product by product line basis. All KPI's are reviewed on a daily to monthly basis by the directors to ensure that the Company is meeting its performance criteria and operating overall in line with the UCB Group policies and strategies.

	2022	2021
Debtor days	118 days	118 days
Stock days	120 days	99 days
Gross profit margin	57.3 %	50.8 %

Stock days remained high due to stock holdings to cover uncertainties and ensure stable supply in the UK market. Debtor days have remained consistent with the prior year, trade debtor balances will be collected within 60 days however debtor days appear high due to trade debtor balances being trade sales before rebates which are due to third parties. Gross profit margin increased by 6.50% in the current year. This is mainly due to the increasing sales of higher margin products.

On behalf of the board:

DocuSigned by:

8DFFD13E05BF438...
Y Khatri
Director

Date: 26-Jul-2023

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors are responsible for preparing the Strategic Report, the Directors' Report and audited financial statements of the Company for the year ended 31 December 2022 (referred to as "2022" and "year" throughout the financial statements).

FINANCIAL RISK MANAGEMENT

The Company is exposed to various financial risks arising from its operations and UCB Group corporate finance activities. The Group manages, on behalf of the subsidiaries, these financial risks. These financial risks are market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's Statement of Comprehensive Income. The objective of market risk management is to manage and control market risk exposures. The Group enters into derivative financial instruments from time to time and also incurs financial liabilities in order to manage market risk.

Foreign exchange risk

The Company as part of the UCB Group operates across the world and is exposed to movements in foreign currencies affecting its net income and financial position, as expressed in Sterling. The Group actively monitors its currency exposures, and when appropriate enters into transactions with the aim of preserving the value of assets and anticipated transactions. The Group from time to time uses forward contracts, foreign exchange options and cross currency swaps to hedge certain committed and anticipated foreign exchange flows and financing transactions.

Interest rate risk

Changes in interest rates may cause variations in interest income and expenses resulting from interest bearing assets and liabilities. The Group uses interest rate derivatives to manage its interest rate risk.

Price risk

There is a price risk on non-patented products such as Keppra, whereby competition with generic products puts downwards pressure on prices. For patented products, profit margins are determined by the VPAS scheme.

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations causing a financial loss to the Company. Trade receivables are subject to a policy of active risk management, which focuses on the assessment of country risk, credit availability, ongoing credit evaluation and account monitoring procedures.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity risk is managed by the Group. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under normal circumstances without incurring unacceptable losses or risking damage to the Group reputation. The Group maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements at all times. In addition the Group has certain unutilised revolving committed credit facilities at its disposal.

FUTURE DEVELOPMENTS

In 2023 the Company expects to continue to grow patient population treated by both mature (Cimzia and Briviact) and recently launched products (Evenity, Bimzelx and Fintepla). In September 2022 Vimpat lost patent protection resulting in reduction of revenue following the Drug Tariff publication and generic products availability. This loss of sales is expected to be compensated over time by increasing sales of the newly launched products and extensions of licenses across further indications.

EMPLOYEE ENGAGEMENT

In 2022 the Company employed 204 (2021: 194) staff, for further details see note 6.

The UCB Group measures employee engagement through our internal global employee engagement survey which runs on an annual basis to get timely feedback on specific areas of strength and opportunities.

In 2022, we ran the global employee engagement survey to obtain feedback on our strategy, confidence in the future, our feedback culture and our commitment to Diversity, Equity and Inclusion.

Overall, the UK engagement score is 70%, compared to a global score of 74%. With a 70% participation rate.

Key highlights from the engagement survey results were; pride in working for UCB consistently remains high (73% score, 77% favorable). Employees strongly believe that their manager recognizes their contribution (75% score, 81% favorable) and have their best interests in mind (74% score, 75% favorable). Areas for improvement included communication and development opportunities.

To address development opportunities, we are committed locally to implement new global personal development tools to best enable people to achieve their potential, grow and manage their careers. The launch of these development platforms will be embedded in 2023.

UCB Pharma Limited
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

EMPLOYEE ENGAGEMENT (continued)

In 2022, we continued efforts to support well being of employees offering access to regular sessions spanning mindfulness, resilience, and physical exercise. Following the return to work fully post pandemic (September 2021), the company implemented hybrid working and core hours, offering greater flexibility to employees which received positive feedback.

In 2022 our Diversity, Equity and Inclusion council sought to expand our agenda with the introduction of a parents and carer coaching program, an inclusive job advert tool and continued focused trainings on Unconscious Bias and awareness of inclusion. In addition, we launched a campaign, This is Me to invite employees to voluntarily disclose their ethnicity and disability. Enabling us to broaden our diversity metrics as we intend to gain insight for action.

We partnered with, Upskill Me to engage students from under-represented groups and provide candidates with the skills, knowledge and networks they need to build a career in STEM. Through Insight days and the empowering women in STEM mentoring program.

SUPPLIERS, CUSTOMERS AND OTHERS

In the Strategic report, within the Section 172 (1) Statement on page "2", the directors have summarised how they have engaged with suppliers, customers and others in a business relationship.

DIRECTORS

The directors, who held office during the year and up to the date of signing the Financial Statements, unless otherwise stated, are listed below:

M G Hardy (Company secretary and a Director)
S Price
Y Khatri
I Villa (resigned 20th May 2022)
C Brading
A I Infante Gonzalez De La Aleja (appointed 25th May 2022)

No director held any interest in the share capital of the Company. No director had a material interest in any contract to which the Company was a party during the financial year.

DIVIDENDS

On 28 February 2023, a final dividend was proposed and duly paid in respect of the prior financial year of £6,300,000.

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

GOING CONCERN

The directors consider that the Company has adequate resources to continue in business for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the Financial Statements.

POST BALANCE SHEET EVENTS

At the end of January 2023, UCB Pharma Ltd sold an established brands portfolio of Coracten and Dioctyl to a third party Pharmaceutical company.

On 28 February 2023, a final dividend was proposed and was duly paid in respect of the prior financial year of £6,300,000.

STATEMENT OF DISCLOSURE OF INFORMATION TO 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.

UCB Pharma Limited
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

INDEPENDENT AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor appointed is Mazars LLP.

STREAMLINED ENERGY AND CARBON REPORTING

Energy use and carbon emissions associated with UCB Pharma are disclosed below.

Energy Use (MWh)	2022	2021
Natural Gas	—	—
Electricity	—	—
Fuel for Generators	—	—
Fuel for Transport	292	266
Total	292	266

Emissions (tCO2e)	2022	2021
Scope 1	—	—
Scope 2 (location-based)	—	—
Scope 2 (market based)	—	—
Scope 3 (transport & grid losses*)	72	66
Total**	72	66

Scope 3 emissions (tCO2e)	2022	2021
FTE (average count)	204	186
Emissions per FTE (tCO2e/FTE)	0.35	0.35

*Only includes vehicles used for business & electrical transmissions/distribution losses

**Using location based scope 2 factor

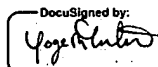
The only emissions associated to the Company's operations are from transport. The Company does not lease or own any property.

Energy usage and emissions increased in 2022 compared to 2021. However, the emissions per FTE have remained constant. The company recognises the need to reduce emissions from transport. To this extent, electric vehicle charging points are available at the Slough site to encourage the use of electric vehicles.

This disclosure meets the requirements of the Streamlined Energy and Carbon Reporting legislation. The report was assembled following the 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Standard. Emissions factors as taken from the 2021 UK Government GHG Conversion Factors for Company Reporting.

The disclosures should be presented in the directors' report. Where energy use is of strategic importance to the company, disclosure of the relevant information could be included in the strategic report instead of the directors' report.

On behalf of the board:

DocuSigned by:

Y Khatri
Director

208 Bath Road
Slough
Berkshire
United Kingdom
SL1 3WE

Date : 26-Jul-2023

UCB Pharma Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

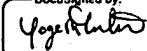
Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK accounting standards 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.

On behalf of the board:

DocuSigned by:

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Y Khatri
Director

208 Bath Road
Slough
Berkshire
United Kingdom
SL1 3WE

Date: 26-Jul-2023

Independent auditor's report to the members of UCB Pharma Limited

Opinion

We have audited the financial statements of UCB Pharma Limited (the 'Company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, and Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, the 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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.

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.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

Independent auditor's report to the members of UCB Pharma Limited (CONTINUED)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

Independent auditor's report to the members of UCB Pharma Limited (CONTINUED)

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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.

Use of the audit 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.

DocuSigned by:

David Herbinet

David Herbinet (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

Date: 27 July 2023

UCB Pharma Limited**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDING 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Turnover	3	124,125	121,354
Cost of sales		(53,027)	(59,722)
Gross profit		71,098	61,632
Administrative expenses		(60,929)	(54,077)
Operating profit	4	10,169	7,555
Analysed as:			
Operating profit before goodwill impairment loss		10,169	7,555
Profit before gain on disposal of intangible assets, interest and taxation		10,169	7,555
Interest receivable and similar income	7	1,136	193
Interest payable and similar expenses	8	(801)	(119)
Profit before taxation		10,504	7,629
Tax on profit	9	(2,053)	(1,276)
Profit for the financial year		8,451	6,353
Total other comprehensive income for the year		—	—
Total comprehensive income for the year		8,451	6,353

The notes on pages 13 to 27 form part of these financial statements.

All results derive from continuing operations.

There is no material difference between the profit before taxation and the total comprehensive income for the year stated above and their historical cost equivalents.

UCB Pharma Limited
BALANCE SHEET
AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	10	—	—
Right-of-use assets	11	74	156
		<u>74</u>	<u>156</u>
Current assets			
Stocks	12	17,447	16,240
Debtors	13	139,952	120,686
Cash at bank and in hand		570	472
		<u>157,969</u>	<u>137,398</u>
Creditors: amounts falling due within one year	14	<u>(73,819)</u>	<u>(64,121)</u>
Net current assets		<u>84,150</u>	<u>73,277</u>
Total assets less current liabilities		<u>84,224</u>	<u>73,433</u>
Creditors - amounts falling due after more than one year	15	<u>(32)</u>	<u>(73)</u>
Net assets		<u>84,192</u>	<u>73,360</u>
Capital and reserves			
Called-up share capital	18	—	—
Share premium account	19	55,000	55,000
Other Reserves	20	1,550	1,550
Profit and loss account		27,642	16,810
Total Shareholders' funds		<u>84,192</u>	<u>73,360</u>

The notes on pages 13 to 27 form part of these Financial Statements.

The Financial Statements on pages 11 to 27 were approved on behalf of the board on signed on its behalf by:

26-Jul-2023

and were

DocuSigned by:

 Y Khatri

Director

COMPANY REGISTERED NUMBER: 00209905

UCB Pharma Limited
**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £000	Share premium account £000	Other reserve £000	Profit and loss account £000	Total Shareholders' funds £000
Balance at 1 January 2021	—	55,000	1,550	16,273	72,823
Total comprehensive income for the year					
Profit for the financial year	—	—	—	6,353	6,353
Total comprehensive income for the year	—	—	—	6,353	6,353
Transactions with owners, recorded directly in equity					
Equity-settled share based payments (note 21)	—	—	—	2,304	2,304
Deferred tax on equity-settled share based payments (note 16)	—	—	—	580	580
Dividends (note 19)	—	—	—	(8,700)	(8,700)
Total transactions with owners, recognised directly in equity	—	—	—	(5,816)	(5,816)
Balance at 31 December 2021 and 1 January 2022	—	55,000	1,550	16,810	73,360
Total comprehensive income for the year					
Profit for the financial year	—	—	—	8,451	8,451
Total comprehensive income for the year	—	—	—	8,451	8,451
Transactions with owners, recorded directly in equity					
Equity-settled share based payments (note 21)	—	—	—	3,152	3,152
Deferred tax on equity-settled share based payments (note 16)	—	—	—	(771)	(771)
Dividends (note 19)	—	—	—	—	—
Total transactions with owners, recognised directly in equity	—	—	—	2,381	2,381
Balance at 31 December 2022	—	55,000	1,550	27,642	84,192

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

UCB Pharma Limited ("the Company") is a private Company limited by shares and is incorporated in England and Wales and domiciled and registered in Berkshire, United Kingdom. The registered number is 00209905 and the registered address is 208 Bath Road, Slough, Berkshire, SL1 3WE.

The principal activity of the Company is the sale and marketing of a range of branded specialty pharmaceutical products.

These Financial Statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of United Kingdom-adopted International Financial Reporting Standards, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, UCB S.A. includes the Company in its consolidated Financial Statements. The consolidated Financial Statements of UCB S.A. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Celltech Group Limited, 208 Bath Road, Slough, Berkshire, SL1 3WE.

In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of Paragraph 38 of IAS 1, 'Presentation of financial statements' - comparative information requirements in respect of:
 - i) Paragraph 79(a)(iv) of IAS 1;
 - ii) Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - iii) Paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliation between the carrying amount at the beginning and end of the period).
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- with respect to IFRS 15 disclosure exemptions from the second sentence of paragraph 110, and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129; and
- majority of the disclosures in respect of share based payments required under IFRS 2, as outlined in FRS101 paragraph 8(a).

As the consolidated Financial Statements of UCB S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of a trading portfolio or derivatives; and
- The disclosures required by IAS36 paragraph 134 (d) to 134 (f), Impairment of assets.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

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 2.

SHORT TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Company has elected not to recognise right-to-use assets and lease liabilities for short-term leases of equipment/machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ACCOUNTING CONVENTION

The Financial Statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, except that the following assets and liabilities that are stated at their fair value: derivatives are measured at fair value.

1. ACCOUNTING POLICIES (CONTINUED)

GOING CONCERN

The directors consider that the Company has adequate resources to continue in business in the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the Financial Statements.

TURNOVER AND INCOME RECOGNITION

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns, rebates, sales taxes and value added taxes. The Company's activities are described in detail below.

Sale of goods

The Company sells a range of branded, speciality and generic pharmaceutical products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The pharmaceutical products are often sold with rebates based on sales of branded products used in generic product prescriptions. Turnover from these sales is recognised based on the price specified in the contract, net of the actual and estimated rebates. Accumulated experience is used to estimate and provide for the rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A rebate liability (included in Accruals and deferred income) is recognised for expected rebates payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with market practice. The Company's obligation to replace faulty products under the standard warranty terms is recognised as a provision.

A debtor is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Royalty income

Royalties are recognised on an accruals basis in accordance with the substance of the relevant agreement.

Service income

Revenue from providing services is recognised in the accounting period in which the services are rendered.

INTEREST RECEIVABLE AND PAYABLE

Interest receivable and payable are recognised on an accruals basis.

DIVIDENDS

Dividends receivable are recognised at the date on which their payment becomes irrevocable. Interim dividends are recognised when paid. Dividend distributions to the Company shareholders are recognised in the period in which the dividends are approved by the shareholders.

FOREIGN CURRENCY TRANSLATION

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling on the Balance Sheet date and the gains or losses arising on translation are dealt with through the Statement of Comprehensive Income in the period in which they arise. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income under administrative expenses.

DEFERRED TAXATION

Deferred taxation is provided on timing differences that have originated but not reversed by the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which the asset can be utilised.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is measured on an undiscounted basis.

1. ACCOUNTING POLICIES (CONTINUED)

LEASE ASSETS

The Company leases several cars in which the Company assumes substantially all the risks and rewards of ownership of the leased asset. Leased assets acquired are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Motor vehicles - 3 years.

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date.

INTANGIBLE ASSETS

Goodwill

Goodwill is stated at cost less any accumulated impairment losses.

STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and is calculated in line with the Group's transfer pricing policy. Obsolete stock is fully provided for and any stock older than three months is provided for at a rate of ten percent of its cost of production plus attributable overheads.

OPERATING LEASES

Operating lease rental costs are charged to the Statement of Comprehensive Income on a straight line basis.

EMPLOYEE BENEFITS

The Company participates in contributory and non-contributory defined benefit and defined contribution pension schemes covering the majority of its employees.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the group. The Company then recognises a cost equal to its contribution payable for the period. Contributions are paid to the scheme in accordance with the recommendations of independent actuaries.

Share-based payment transactions

The Company participates in the ultimate parent's stock option plan and share award plan, both of which are equity-settled. The services rendered by the employees as consideration for stock options are recognised as an expense with a corresponding entry to equity. The expense corresponds to the fair value of the stock options granted and is charged to profit before interest and taxation on a straight-line basis over the vesting period of the plan. The fair value of the stock option plan is measured at the grant date using the Black-Scholes valuation model taking into account the expected life and cancellation rate of the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the Statement of Comprehensive Income, and a corresponding adjustment to equity over the remaining vesting period. The parent company (UCB S.A.) recharges share based payment costs (determined to be equal to the fair value of the options at the grant date) to the Company.

1. ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS

i) Recognition and initial measurement

Trade debtors are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade debtor without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

Financial assets

a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

The Company's financial assets include intercompany loans and cash, classified as measured at amortised cost and investments in subsidiaries carried at cost less impairment.

b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method.

The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

1. ACCOUNTING POLICIES (CONTINUED)

iii) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other debtors.

To measure the expected credit losses, trade and other debtors have been grouped based on shared credit risk characteristics and the days past due.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

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

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

The carrying amount less impairment of the carrying amount of trade receivables and the carrying amount of trade payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates that is available to the Company for similar financial instruments.

1. ACCOUNTING POLICIES (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. These are carried at fair value through profit or loss. The Company does not engage in speculative transactions.

The fair value of financial instruments that are not traded in an active market is determined by using established valuation techniques such as option pricing models and estimated discounted values of cash flows. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each Balance Sheet date. The fair value of the forward exchange contract is determined using discounted value of the exchanged amounts in currencies, converted at the prevailing spot rate at the Balance Sheet date.

The Company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

LEASES

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of 'plant and equipment and lease liabilities in 'loans and borrowings' in the statement of financial position.

PROVISIONS

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Tax positions

The Company operates in complex legal and tax regulatory environments. The income tax positions taken are considered by the Company to be supportable and are intended to withstand challenge from tax authorities. However, it is accepted that some of the positions are uncertain and include interpretations of complex tax laws as well as transfer pricing considerations which could be disputed by tax authorities. A liability is recorded for each item that is not probable of being sustained on examination by the tax authorities based on all relevant information. The liability is calculated by the entity as the single best estimate of the current tax it expects to pay. These estimates are based on facts and circumstances existing at the end of the reporting period. The tax liability and income tax expense include penalties and late payment interests arising from tax disputes.

The recognition of deferred tax assets is based upon whether it is probable that sufficient taxable profits will be available in the future against which the reversal of temporary differences can be used. If the Company has tax losses for the year then those are surrendered to another related entity of the UK group for payment equal to the tax benefit of the surrender.

Rebates

The pharmaceutical products are often sold with rebates based on sales (VPAS, Keppra) or patient numbers (Cimzia free goods). Turnover from these sales is recognised based on the price specified in the contract, net of the actual and estimated rebates. Accumulated experience is used to estimate and provide for the rebates, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A rebate liability (included in Accruals) is recognised for expected rebates payable to customers in relation to sales made until the end of the reporting period.

Share based payments

Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. The fair value of the stock option plan is measured at the grant date using the Black-Scholes valuation model taking into account the expected life and cancellation rate of the options.

3. TURNOVER

	2022	2021
	£000	£000
<i>Turnover by destination</i>		
United Kingdom	108,401	108,329
Rest of Europe	15,672	12,871
Rest of the world	52	154
	<u>124,125</u>	<u>121,354</u>
<i>Turnover by activity</i>		
Direct sales of pharmaceutical products	107,460	109,069
Royalties	92	96
Service income	16,573	12,189
	<u>124,125</u>	<u>121,354</u>

All sales originate from the United Kingdom and are recognised at a point in time with the exception of Royalty Income which is recognised over time.

4. PROFIT BEFORE INTEREST AND TAXATION

Profit before interest and taxation is stated after charging:

	2022	2021
	£000	£000
Profit before interest and taxation is stated after charging:		
Staff Costs (note 6)	33,440	29,630
Auditors' remuneration for the statutory audit of UCB Pharma Limited	69	65
Research and development expenditure	3,995	3,645
Depreciation on right of use assets (note 11)	82	97

5. DIRECTOR'S EMOLUMENTS

	2022	2021
	£000	£000
Aggregate emoluments	591	429
Company contributions to money purchase pension schemes	95	83
	686	512
Highest paid director	2022	2021
	£000	£000
Aggregate emoluments	300	235
Company contributions to money purchase pension schemes	67	24
	367	259

1 of the directors exercised 2,500 share options during the year (2021: nil.) 2 directors (2021: 2 directors) were members of the Company pension scheme at the year end. 2 directors (2021: 2 directors) were paid by other group undertakings.

6. STAFF NUMBERS AND COSTS

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2022	2021
	Number	Number
Sales and marketing, administration and distribution	162	155
Medical research and development	42	39
	204	194

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	23,144	20,116
Social security costs	3,060	3,642
Other pensions costs	4,077	3,568
Cost of employee share schemes (note 21)	3,159	2,304
	33,440	29,630

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£000	£000
Bank interest receivable	4	15
Interest receivable from group undertakings	1,006	52
Foreign exchange gain	126	126
	1,136	193

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£000	£000
Net loss on financial instruments designated as fair through profit or loss	12	111
Interest payable on bank loans and overdrafts	3	6
Foreign exchange losses	785	—
Bank charges	1	2
	801	119

9. TAX ON PROFIT

	2022	2021
	£000	£000
Current tax		
UK corporation tax on profits of the year at 19% (2021: 19%)	2,435	1,724
Adjustments in respect of prior periods	(572)	6
Total current tax	1,863	1,730
Deferred tax		
Origination and reversal of temporary difference	190	(454)
Total deferred tax	190	(454)
Taxation on profit	2,053	1,276

9. TAX ON PROFIT (CONTINUED)

Factors affecting the tax expense

The tax on profit assessed for the year is higher (2021: lower) than the standard rate of corporation tax in the United Kingdom 19% (2021: 19%). The differences are explained below:

Reconciliation of tax rate

	2022 £000	2021 £000
Profit for the year	8,451	6,353
Total tax expense	<u>2,053</u>	<u>1,276</u>
Profit before taxation	10,504	7,629
Tax using the UK corporation tax rate of 19% (2021: 19%)	1,996	1,449

Effects of:

Expenses not deductible for tax purposes	1,073	596
Other deductible items	(110)	(4)
Share scheme deduction	(524)	(317)
Adjustments in respect of prior years	(572)	6
Deferred tax	190	(454)
Total tax expense	<u>2,053</u>	<u>1,276</u>

Factors that may affect future tax charges

An intention to increase the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was announced in the UK Budget on 3 March 2021. The deferred tax asset at 31 December 2022 has been calculated at 23.5% (2021: 19%) which represents the average UK corporation tax rate for the five years ending 31 December 2026. If the deferred taxes were measured using the appropriate rate substantively enacted at the balance sheet date the difference would be immaterial.

10. INTANGIBLE ASSETS

	Goodwill Keppra £000	Goodwill Schwarz Pharma £000	Total £000
Cost			
Balance at 1 January 2022	27,157	57,399	84,556
Balance at 31 December 2022	<u>27,157</u>	<u>57,399</u>	<u>84,556</u>
Accumulated amortisation and impairment			
Balance at 1 January 2022	(27,157)	(57,399)	(84,556)
Balance at 31 December 2022	<u>(27,157)</u>	<u>(57,399)</u>	<u>(84,556)</u>
Net book value			
At 31 December 2022	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2021	<u>—</u>	<u>—</u>	<u>—</u>

Goodwill is recognised separately as an intangible asset and is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

11. RIGHT-OF-USE ASSETS

The Company leases many vehicles. Information about leases for which the Company is a lessee is presented below.

	Motor vehicles £000	Total £000
Cost		
Balance as at 1 January 2022	427	427
Additions	—	—
Disposals	(217)	(217)
Balance as at 31 December 2022	210	210
Accumulated depreciation and impairment		
Balance at 1 January 2022	(271)	(271)
Depreciation charge for the year	(82)	(82)
Disposals	217	217
Balance as at 31 December 2022	(136)	(136)
Net book value		
Balance at 31 December 2022	74	74
Balance at 31 December 2021	156	156

12. STOCKS

	2022 £000	2021 £000
Raw materials and consumables	32	32
Work in progress	116	112
Finished goods and goods for resale	17,300	16,096
	17,447	16,240

The difference between purchase price or production cost of stocks and their replacement cost is not considered to be material.

Raw materials, consumables and changes in finished goods and goods for resale recognised as cost of sales in the year amounted to £67,681 thousands (2021: £62,216 thousands). The write-down of stocks to net realisable value amounted to £34 thousands (2021: £1,141 thousands).

13. DEBTORS

	2022 £000	2021 £000
Trade debtors	40,244	39,433
Amounts owed by group undertakings	97,957	77,722
Other debtors	(104)	588
Deferred tax assets (see note 16)	1,163	2,124
Other financial assets	5	—
Prepayments and accrued income	687	819
	<u>139,952</u>	<u>120,686</u>

All amounts owed by group undertakings are unsecured and are repayable on demand. An amount of £25,649 thousands (2021: £15,442 thousands) which is interest free; an amount of £25,808 thousands (2021: £25,780 thousands) which bears interest of SONIA less 0.05% (2021: LIBOR 1 month less 0.05%) and amount of £46,500 thousands (2021: £36,500 thousands) which bears interest of 2.43% (2021: 0.22%).

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £000	2021 £000
Trade creditors	7,663	8,568
Amounts owed to group undertakings	25,415	26,514
Lease obligation for right-of-use assets	43	85
Taxation and social security	6,774	5,634
Corporation tax	2,026	2,211
Accruals and deferred income	31,895	21,109
Other financial liabilities	3	—
	<u>73,819</u>	<u>64,121</u>

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2022 £000	2021 £000
Lease obligation for right-of-use assets	32	73
	<u>32</u>	<u>73</u>

16. DEFERRED TAX ASSETS

Recognised deferred tax assets are attributable to the following:

	2022 £000	2021 £000
Share - based payments	<u>1,163</u>	<u>2,124</u>

Movement in deferred tax during the year:

	1 January 2022 £000	Recognised in expense £000	Recognised in equity £000	31 December 2022 £000
Share - based payments	2,124	(190)	(771)	<u>1,163</u>

Movement in deferred tax during the prior year:

	1 January 2021 £000	Recognised in income £000	Recognised in equity £000	31 December 2021 £000
Share - based payments	1,090	454	580	<u>2,124</u>

17. LEASE OBLIGATION

At 31 December 2022 the Company had non-cancellable lease obligation payable as follows: The corresponding assets are recognised as right-of-use assets under IFRS 16.

	2022 £000	2021 £000
In one year or less	43	85
In more than one year, but not more than five years	<u>32</u>	<u>73</u>
	<u>75</u>	<u>158</u>

18. CALLED UP SHARE CAPITAL

Called up share capital	2022 £000	2021 £000
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Allotted, called up and fully paid

500 (2021 - 500) ordinary shares of £0.25 at 1 January and 31 December

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Dividends

The following dividends were recognised during the year:

Equity - Ordinary

	2022 £000	2021 £000
Final dividends paid £0 per share (2021 : £1.4 per share)	<u>—</u>	<u>8,700</u>

19. SHARE PREMIUM

Share premium	2022 £000	2021 £000
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Allotted, called up and fully paid

500 (2021 - 500) ordinary shares of £110 at 1 January and 31 December

<u>55,000</u>	<u>55,000</u>
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20. OTHER RESERVES

Other reserves	2022	2021
	£000	£000
Deferred shares		
6,200,000 (2021 - 6,200,000) deferred shares of £0.25 at 1 January and 31 December	<u>1,550</u>	<u>1,550</u>

21. EMPLOYEE BENEFITS

Pension schemes

The Company is a participating employer of the Celltech Pension and Life Assurance Scheme (CP&LAS) which is constituted through a separate independent trust and is contributory, funded, and the benefits of which are based on final pensionable pay.

The Company accounts for the scheme as if it were a defined contribution scheme, as group management have decided not to put a policy in place to allocate the deficit to participating employers. Consequently, the Company will continue to recognise the contributions paid into the scheme over the financial year as an expense item in the Statement of Comprehensive Income.

The Company's contributions for the defined benefit scheme are assessed on a triennial basis, in accordance with the advice of a qualified actuary using the projected unit method. The contributions are determined on the basis of long-term funding assumptions and are set at a level to meet the future benefit accrual and eliminate any funding surplus or shortfall over the long-term.

Actuarial Valuations

CP&LAS - the last full actuarial valuation of this scheme was carried out at 30 September 2020 and has been updated in accordance with IAS 19 to 31 December 2022 by a qualified independent actuary.

Celltech Group Limited is the principal employer of the Celltech pension and life assurance scheme and is fully disclosed in their financial statements.

Those financial statements indicate that the market value of assets were £155.1 million (2021: £261.2 million) and the present value of scheme liabilities were £172.2 million (2021: £270 million) leading to net liabilities of £17 million (2021: £8.8 million).

Following the actuarial valuation of the scheme as at 30 September 2020, a funding shortfall (technical provisions minus value of assets) of £49.7M was identified. The scheme Trustee and the Principal Employer have agreed that additional contributions (i.e. contributions over and above those needed to cover benefits being earned in the future) will be payable to the Scheme by the Company amounting to £0.6M per annum in equal monthly instalments to 30 September 2027. Based on the above, the Company has a total commitment at the year end of £2,898 thousands.

The Company also participates in defined contribution schemes.

Total pension charges for the Company for the year were £1.0 million (2021: £1.0 million) for defined benefit schemes, representing 10% of total group contributions to the plan for the year (2021: 10%), and £3.1 million (2021: £2.6 million) for defined contribution schemes (see also note 6). There were no material contributions outstanding to any of the schemes at either year-end.

Share based payments

The UCB S.A. Group operates several share based compensation plans, including a stock option plan and a share award plan to compensate employees for services rendered. Both of these plans are equity settled.

The Remuneration Committee granted free shares in UCB S.A. to the Executive Committee members, the Senior Executives and the senior and middle management of the UCB Group. The free shares have service conditions attached to them whereby beneficiaries are required to remain in service for three years post grant date. Share awards lapse upon leaving the Group, except upon retirement or death in which case they vest immediately. The beneficiary is not entitled to dividends during the vesting period.

The exercise price of the granted options in 2022 is equal to the lower of the following two values: (i) the average of the closing price of UCB share on Euronext Brussels, during 30 days preceding the offer or (ii) the closing price of the UCB shares on Euronext Brussels the day before the grant.

UCB Pharma Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

The options become exercisable after a vesting period of three years. If the employee leaves the Group, his/her options lapse upon expiry of a period of six months, except if taxes have been prepaid. The Group has no obligation to repurchase or settle the options in cash. There are no reload features and the options are not transferable (except in case of death).

The weighted average share price at the date of exercise of share options exercised during the financial year was €102.65 (2021: €88.65).

The options outstanding at the year-end have an exercise price in the range of €32.36 to €108.45 and weighted average contractual life of 7 years.

The weighted average share price at the date of exercise of share award exercised during the financial year was €90.94 (2021: €81.42).

The share awards outstanding at the year-end have an exercise price of nil and a weighted average contractual life of 1 years 2 months.

The total expenses recognised for the year arising from share based payments are as follows:

	2022	2021
	£000	£000
Equity settled share based payments	<u>3,159</u>	<u>2,304</u>

22. RELATED PARTY TRANSACTIONS

The Company is exempt, under paragraph 8(k) of FRS 101, from the requirement to disclose related party transactions on the grounds that it is a 100% wholly owned subsidiary undertaking. This exemption covers transactions with other group undertakings.

There were no other related party transactions in the year. Directors' emoluments are disclosed in note 5.

23. ULTIMATE PARENT COMPANY AND PARENT COMPANY OF A LARGER GROUP

The Company is a subsidiary undertaking of Celltech Group Limited. The ultimate controlling party is UCB S.A., a Company incorporated in Belgium.

The smallest and largest group in which the Company's results are consolidated is that headed by UCB S.A., Allee de la Recherche, 60, Brussels, 1070, Belgium. The consolidated financial statements of UCB S.A. can be obtained from the Company Secretary at the following address: Celltech Group Limited, 208 Bath Road, Slough, Berkshire, SL1 3WE.

24. POST BALANCE SHEET EVENTS

At the end of January 2023, UCB Pharma Ltd sold an established brands portfolio of Coracten and Dioctyl to a third party Pharmaceutical company.

On 28 February 2023, a final dividend was proposed and duly paid in respect of the prior financial year of £6,300,000.