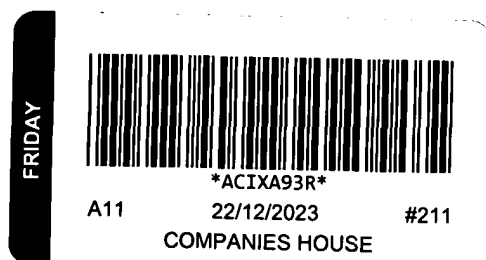

LIGAND UK DEVELOPMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2022



LIGAND UK DEVELOPMENT LIMITED

COMPANY INFORMATION

Directors	M Korenberg T Davis O Espinoza A Reardon
Registered number	02600483
Registered office	C/O Legalinx Limited 3rd Floor 207 Regent Street London W1B 3HH
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge CB4 0FY

LIGAND UK DEVELOPMENT LIMITED

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LIGAND UK DEVELOPMENT LIMITED

**STRATEGIC REPORT
FOR THE PERIOD ENDED 30 DECEMBER 2022**

The directors present their strategic report and audited financial statements of Ligand UK Development Limited (previously Vernalis Development Limited) (the "Company") for the period ended 30 December 2022.

The Company shortened its accounting reference period from 31 December 2022 to 30 December 2022.

Principal Activities and Business Review

The Company has a worldwide patent portfolio of over 200 granted patents in over 70 countries. The Company's principal activity is in licensing these patents.

During 2022 the Company has recognized revenue of £3,846k, an increase of £2,740k from 2021. The majority of the increase was from royalties and milestones. At 30 December 2022, the Company had net liabilities of £21,679k, a decrease of £2,367k from the prior year-end. This is primarily due to an increase in equity security assets received from several customers in lieu of cash.

Principal risks and uncertainties

The principal risks and uncertainties of the Company relate to financial management, liquidity, and management of intellectual property and regulatory compliance. We have a risk management framework in place to identify, assess and prioritise risks, including the market and credit risks associated with our investments. As part of that framework, we perform ongoing reviews of our investment portfolio.

This report was approved by the board on December 14, 2023 and signed on its behalf.

Octavio Espinoza

O Espinoza
Director

LIGAND UK DEVELOPMENT LIMITED

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 DECEMBER 2022**

The directors present their report and audited financial statements of Ligand UK Development Limited (the "Company") for the period ended 30 December 2022.

General Information

The Company is a private company incorporated and domiciled in the UK. The registered office of the Company is: C/O Legalinx Limited 3rd Floor, 207 Regent Street, London, United Kingdom, W1B 3HH.

Results and Dividends

The revenue of the Company for the period ended 30 December 2022 and the year ended 31 December 2021 was £3,846,000 and £1,106,000 respectively. The Company reported a profit of £2,367,000 for the period ended 30 December 2022 (*year ended 31 December 2021: £361,000 (loss)*).

The directors do not recommend the payment of a dividend for the period ended 30 December 2022 (*year ended 31 December 2021: £Nil*).

Future Developments

The Company is expected to continue to hold a royalty right from Menarini in respect of Frovatriptan and receive annual payment of such royalty in perpetuity.

Financial risk management

Please refer to the section on Principal risks and uncertainties contained in the Strategic Report on page 1.

Directors

The directors who served during the period and after the period end were:

C Berkman (resigned 1 November 2022)
M Foehr (resigned 1 November 2022)
M Korenberg
T Davis (appointed 5 December 2022)
O Espinoza (appointed 1 November 2022)
A Reardon (appointed 1 November 2022)

LIGAND UK DEVELOPMENT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 DECEMBER 2022

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including Financial Reporting Standard 101 'Reduced Disclosure Framework'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Indemnities

The Company has entered into qualifying third-party indemnity arrangements for the benefit of all its directors in a form and scope which comply with the requirements of the Companies Act 2006, which continued in force during the period under review and continue to be enforceable.

Going Concern

The financial statements of the Company have been prepared on a going concern basis which is dependent on the continuing financial support from its ultimate parent company, Ligand Pharmaceuticals Incorporated, which had adequate cash reserves at 30 December 2022 to support the Company for a foreseeable future. Ligand's forecasts show there is adequate cash reserves to meet its day-to-day working requirements. The directors expect the Ligand group to continue in operation for the foreseeable future. The Company therefore adopts the going concern basis in preparing the financial statements. For further information regarding the ultimate parent Company please see the consolidated Ligand Pharmaceuticals Incorporated financial statements which are available from www.ligand.com.

LIGAND UK DEVELOPMENT LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 DECEMBER 2022**

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on December 14, 2023 and signed on its behalf.

Octavio Espinoza

O Espinoza
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIGAND UK DEVELOPMENT LIMITED

Opinion

We have audited the financial statements of Ligand UK Development Limited (the 'Company') for the period ended 30 December 2022, which comprise the Income Statement, the Balance Sheet, the 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 Financial Reporting Standard 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 30 December 2022 and of its profit for the period 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as increase in market interest rates and inflationary pressures in the UK, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIGAND UK DEVELOPMENT LIMITED
(CONTINUED)**

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 and financial statements, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report and financial statements. 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements 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 period 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 LIGAND UK DEVELOPMENT LIMITED
(CONTINUED)**

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIGAND UK DEVELOPMENT LIMITED
(CONTINUED)**

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and industry in which it operates. We determined that the following laws and regulations were most significant: FRS 101, Companies Act 2006 and the relevant tax compliance regulations in the UK;
- We obtained an understanding of the Company's policies and procedures implemented to prevent and detect non compliance with laws and regulations by inquiry with management, those responsible for legal and compliance procedures including the Company secretary;
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non compliance with laws and regulations throughout the audit;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included;
 - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - Challenging assumptions and judgements made by management in its significant accounting estimates;
 - Identifying and testing journal entries;
 - Identifying and testing related party transactions;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- It is the audit partner's assessment that the audit team collectively had the appropriate competence and capabilities to identify or recognise non compliance with laws and regulations based on understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIGAND UK DEVELOPMENT LIMITED
(CONTINUED)**

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 our report

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

Grant Thornton UK LLP

Stephen Wyborn
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
Date: 15/12/2023

LIGAND UK DEVELOPMENT LIMITED

**INCOME STATEMENT
FOR THE PERIOD ENDED 30 DECEMBER 2022**

		Period ended 30 December 2022 £000	Year ended 31 December 2021 £000
	Note		
Revenue	4	3,846	1,106
Cost of sales		(170)	-
Gross profit		3,676	1,106
General and administrative expenditure		(1,309)	(1,467)
Profit/(loss) before tax	5	2,367	(361)
Income tax		-	-
Profit/(loss) for the financial period/year		2,367	(361)

The notes on pages 13 to 23 form part of these financial statements.

All activities related to continuing operations. There was no other comprehensive income for 2022 (2021: £Nil).

LIGAND UK DEVELOPMENT LIMITED
REGISTERED NUMBER:02600483

BALANCE SHEET
AS AT 30 DECEMBER 2022

	Note	30 December 2022 £000	31 December 2021 £000
Non-current assets			
Intangible assets	9	4,422	5,378
		<u>4,422</u>	<u>5,378</u>
Current assets			
Investment at fair value	10	2,872	879
Trade and other receivables: amount due after one year	11	1,290	-
Trade and other receivables: amount due within one year	11	16	40
		<u>4,178</u>	<u>919</u>
Trade and other liabilities: amount due within one year	12	(173)	(24)
Net current assets		<u>4,005</u>	<u>895</u>
Total assets less current liabilities		<u>8,427</u>	<u>6,273</u>
Trade and other liabilities: amount due after one year	13	(30,106)	(30,319)
Net liabilities		<u>(21,679)</u>	<u>(24,046)</u>
Shareholders' equity			
Called up share capital	14	1,419	1,419
Share premium		19,664	19,664
Retained deficit		(42,762)	(45,129)
Total equity		<u>(21,679)</u>	<u>(24,046)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on December 14, 2023.

Octavio Espinoza
O Espinoza
 Director

The notes on pages 13 to 23 form part of these financial statements.

LIGAND UK DEVELOPMENT LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 DECEMBER 2022**

	Share capital £000	Share premium £000	Retained deficit £000	Total equity £000
Balance as at 1 January 2021	1,419	19,664	(44,768)	(23,685)
Loss for the year	-	-	(361)	(361)
At 1 January 2022	1,419	19,664	(45,129)	(24,046)
Profit for the period	-	-	2,367	2,367
At 30 December 2022	1,419	19,664	(42,762)	(21,679)

The notes on pages 13 to 23 form part of these financial statements.

LIGAND UK DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 DECEMBER 2022

1. General information

Ligand UK Development Limited (the "Company") is a private company incorporated and domiciled in the UK. The registered office of the Company is: C/O Legalinx Limited, 3rd Floor, 207 Regent Street, London, United Kingdom, W1 B 3HH.

The principal activities of the Company are to engage in discovery, development and sale of pharmaceutical products and related services.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand (£000) except when otherwise stated.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

This information is included in the consolidated financial statements of Ligand Pharmaceuticals Incorporated as at 31 December 2022 and these financial statements may be obtained from <https://investor.ligand.com/annual-reports>.

LIGAND UK DEVELOPMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2022**

2. Accounting policies (continued)**2.3 Going concern**

The financial statements of the Company have been prepared on a going concern basis which is dependent on the continuing financial support from its ultimate parent company, Ligand Pharmaceuticals Incorporated, which had adequate cash reserves at 30 December 2022 to support the Company for a foreseeable future. Ligand's forecasts show that there is adequate cash reserves to meet its day-to-day working requirements. The directors expect the Ligand group to continue in operation for the foreseeable future. The Company therefore adopts the going concern basis in preparing the financial statements.

2.4 Intangibles assets

Intangible assets are stated at cost less amortisation and impairments. The estimated useful life of intangible assets is 7 years.

2.5 Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected within one year, they are classified as current assets. If not, they are presented as non-current assets.

2.6 Revenue recognition

Revenue, which excludes value added tax, provisions for returns, rebates, discounts and other similar allowances, represents the fair value of the consideration received or receivable for the goods and services supplied. Product sales revenue is recognized on shipment, milestone revenue is recognized when contract conditions are met, and royalty revenue is recognized when earned.

2.7 Share capital

Ordinary shares are classified as equity.

2.8 Share premium

The capital reserve represents the excess contribution over equity net of any repayments.

2.9 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.10 Investments at fair value through profit or loss

The investments designated as fair value through profit or loss is reported at the fair value as of the balance sheet date and any gain or loss is recognized in the Income Statement.

LIGAND UK DEVELOPMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2022**

2. Accounting policies (continued)**2.11 Current and deferred tax**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences identified at the balance sheet date, except to the extent that the deferred tax arises on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

2.12 Foreign currencies

Transactions in foreign currencies are translated into sterling pounds at the rate of exchange ruling at the transaction date. Monetary assets and liabilities in foreign currencies are retranslated into sterling at the rates of exchange ruling at the balance sheet date. Differences arising due to exchange rate fluctuations are taken to the Income Statement in the year in which they arise.

2.13 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets other than those which meet the criteria to be measured at amortised cost or fair value through other comprehensive income are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

LIGAND UK DEVELOPMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2022**

2. Accounting policies (continued)**2.13 Financial instruments (continued)****Debt instruments at fair value through other comprehensive income**

Debt instruments are subsequently measured at fair value through other comprehensive income where they are financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments at fair value through other comprehensive income

On initial recognition of an investment in equity instrument, the Company may make an irrevocable election to designate the financial assets as at fair value through other comprehensive income, providing that it is not held for trading nor is it contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised or at FVOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities**Fair value through profit or loss**

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

LIGAND UK DEVELOPMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2022**

2. Accounting policies (continued)

2.13 Financial instruments (continued)

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There were no critical judgements or estimates which require disclosures in the financial statements.

4. Revenue Analysis

The analysis of revenue in the table below is based on the country of registration of the fee paying party.

	Period ended 30 December 2022 £000	<i>Year ended 31 December 2021 £000</i>
Rest of Europe	3,846	1,106

The current revenue of the Company is represented by milestone income and royalties.

LIGAND UK DEVELOPMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2022**

5. Profit/(Loss) before tax

Profit/(Loss) before tax is stated after charging:

	Period ended 30 December 2022 £000	Year ended 31 December 2021 £000
Operating expenses including overheads, administration and staff costs	523	511
Amortisation of intangible assets	956	956
	<u> </u>	<u> </u>

6. Auditors' remuneration

	Period ended 30 December 2022 £000	Year ended 31 December 2021 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	14	13
	<u> </u>	<u> </u>

Fees payable to the Company's auditor and its associates in respect of:

Taxation	8	3
Accounts production	2	1
	<u> </u>	<u> </u>
	10	4
	<u> </u>	<u> </u>

7. Employees and Directors

The remuneration of the directors was borne by a fellow group company and no charges were transferred to the Company. The Company had no employees in the period ended 30 December 2022 (*year ended 31 December 2021: Nil*) and incurred no staff costs.

LIGAND UK DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2022

8. Income tax

The expenses included in the profit or loss:

	Period ended 30 December 2022 £000	Year ended 31 December 2021 £000
Profit/(Loss) before tax	2,367	(361)

Factors affecting tax charge for the period/year

The tax assessed for the period/year is lower than (2021: *higher than*) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	Period ended 30 December 2022 £000	Year ended 31 December 2021 £000
Profit/(loss) on ordinary activities before tax	2,367	(361)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	450	(69)
Effects of:		
Movement in deferred tax assets not recognised	(883)	69
Expenses not deductible for tax purposes	54	-
Group relief surrendered/(claimed)	379	-
Total tax charge for the period/year	-	-

No liability to UK corporation tax arose during the period ended 30 December 2022 (year ended 31 December 2021: £Nil). The Company had accumulated losses of approximately £77 million at the period end 30 December 2022 (year ended 31 December 2021: £80 million) available to be carried forward to future years.

LIGAND UK DEVELOPMENT LIMITED

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9. Intangible assets

	Patents £000
Cost	
At 1 January 2022	43,899
At 30 December 2022	43,899
Amortisation	
At 1 January 2022	38,521
Charge for the period	956
At 30 December 2022	39,477
Net book value	
At 30 December 2022	4,422
At 31 December 2021	5,378

In November 2020, the Company purchased various intangible assets for £6.5 million from Vernalis (R&D) Limited which include the following:

Intangible Asset
CPI-444, an adenosine A2A receptor antagonist
V158866, a FAAH inhibitor
Tuzistra

Additional Details
Licensed to Corvus Pharmaceuticals
Licensed to Neuritek Therapeutics Limited
Trade and assets for the U.S. commercial
business

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10. Investment at fair value

	30 December 2022 £000	<i>31 December 2021 £000</i>
Investment in equity shares	2,872	<i>879</i>

In recent years, the Company has accepted listed securities from several customers as repayment of debts. The Company has designated these securities are held for sale and measured at fair value as of the balance sheet date. The gain or loss on fair value is recognized in the Income Statement.

11. Trade and other receivables

	30 December 2022 £000	<i>31 December 2021 £000</i>
Due after more than one year		
Amounts owed by group undertakings	1,290	<i>-</i>

The fair value of trade and other receivables are the current book values.

	30 December 2022 £000	<i>31 December 2021 £000</i>
Due within one year		
Trade receivables	-	<i>40</i>
Prepayments and accrued income	16	<i>-</i>

12. Trade and other liabilities: amount due within one year

	30 December 2022 £000	<i>31 December 2021 £000</i>
Accruals	173	<i>24</i>

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13. Trade and other liabilities: amount due after one year

	30 December 2022 £000	31 December 2021 £000
Amounts due to group and subsidiary undertakings	30,106	30,319

Amounts due to group and subsidiary undertakings

All non-current amounts due to group undertakings are payable to Ligand UK Limited (Previously Vernalis Limited).

Amounts due to group undertakings included in non-current trade and other liabilities. These amounts are unsecured, interest free and have no stated repayment date. Although technically repayable on demand, they have been classified as non-current payables on the basis that the parent company will not seek repayment within 12 months of the date of the financial statements.

14. Share capital and share premium

	30 December 2022 £000	31 December 2021 £000
Authorised		
20,300,000 (2021: 20,300,000) Ordinary shares of 10p each	2,030	2,030
16,200,000 (2021: 16,200,000) Preference shares of 10p each	1,620	1,620
	3,650	3,650
Issued, called up and fully paid		
923,153 (2021: 923,153) Ordinary shares of 10p each	92	92
13,271,496 (2021: 13,271,496) Preference shares of 10p each	1,327	1,327
	1,419	1,419

Ordinary and preference shares rank pari passu in respect of dividends and voting rights. On a winding up, preference shares have a preferential right to return of share capital and share premium but rank pari passu with respect to future distribution.

The share premium account is a non-distributable reserve.

LIGAND UK DEVELOPMENT LIMITED

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15. Ultimate parent company and the controlling party

The Company's immediate parent is Ligand UK Group Limited (Previously Vernalis Group Limited), a company registered in the UK.

The Company's ultimate parent and controlling party is Ligand Pharmaceuticals Incorporated, a company registered in the USA. For further information regarding the parent Companies, please see the Consolidated Ligand Pharmaceuticals Incorporated financial statements which are available at www.ligand.com.