

**Vanda Pharmaceuticals Limited**  
**Annual report financial statements**  
**For the year ended 31 December 2018**



**Vanda Pharmaceuticals Limited**  
**Registered number:07256041**

**Balance Sheet**  
**As at 31 December 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	2	218,352	323,732
Investments	3	32,866	32,866
		<u>251,218</u>	<u>356,598</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	4	125,280	125,280
Debtors: amounts falling due within one year	4	93,226	99,699
Cash at bank and in hand	5	327,840	662,859
		<u>546,346</u>	<u>887,838</u>
Creditors: amounts falling due within one year	6	(656,930)	(1,101,576)
<b>Net current liabilities</b>		<u>(110,584)</u>	<u>(213,738)</u>
<b>Total assets less current liabilities</b>		<u>140,634</u>	<u>142,860</u>
Creditors: amounts falling due after more than one year	7	(11,074)	(21,514)
<b>Provisions for liabilities</b>			
Deferred tax	8	(11,897)	(21,147)
		<u>(11,897)</u>	<u>(21,147)</u>
<b>Net assets</b>		<u><u>117,663</u></u>	<u><u>100,199</u></u>
<b>Capital and reserves</b>			
Called up share capital	9	1	1
Non Distributable Reserve		32,865	32,865
Profit and loss account		84,797	67,333
<b>Total Equity</b>		<u><u>117,663</u></u>	<u><u>100,199</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

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

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

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Vanda Pharmaceuticals Limited  
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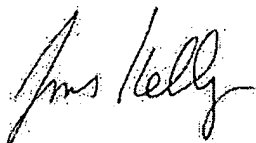
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Balance Sheet (continued)  
As at 31 December 2018

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The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
*23 September 2019*

**J Kelly**  
Director



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

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

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**1. Accounting policies**

**1.1 General Information**

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

**1.2 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 Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

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

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

The following principal accounting policies have been applied:

**1.3 Consolidation**

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

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

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**1. Accounting policies (continued)**

**1.4 Financial reporting standard 102 - reduced disclosure exemptions**

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

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

This information is included in the consolidated financial statements of Vanda Pharmaceuticals Inc. as at 31 December 2018 and these financial statements may be obtained from Securities and Exchange Commission.

**1.5 Going concern**

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

**1.6 Turnover**

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

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

**Rendering of services**

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

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

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

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**1. Accounting policies (continued)**

**1.7 Tangible fixed assets**

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

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

The estimated useful lives range as follows:

Leasehold improvements	- 57 months
Furniture and fixtures	- 57 months
Computer and other equipment	- 36 months

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

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

**1.8 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**1.9 Debtors**

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

**1.10 Cash and cash equivalents**

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

**1.11 Creditors**

Short term creditors are measured at the transaction price.

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

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**1. Accounting policies (continued)**

**1.12 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

**1.13 Current and deferred taxation**

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

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

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

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

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

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**Vanda Pharmaceuticals Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

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**2. Tangible assets**

	Leasehold Improvements £	Furniture and fixtures £	Computer and other equipment £	Total £
<b>Cost or valuation</b>				
At 31 December 2017	321,001	76,342	61,679	459,022
Disposals	-	-	(5,263)	(5,263)
At 31 December 2018	321,001	76,342	56,416	453,759
<b>Depreciation</b>				
At 31 December 2017	90,105	21,429	23,756	135,290
Charge for the year on owned assets	67,579	16,072	20,560	104,211
Disposals	-	-	(4,094)	(4,094)
At 31 December 2018	157,684	37,501	40,222	235,407
<b>Net book value</b>				
At 31 December 2018	163,317	38,841	16,194	218,352
At 31 December 2017	230,896	54,913	37,923	323,732



Notes to the Financial Statements  
For the Year Ended 31 December 2018

3. Investments

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 31 December 2017	32,866
At 31 December 2018	<u>32,866</u>

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

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

4. Debtors

	2018 £	2017 £
<b>Due after more than one year</b>		
Deposit	125,280	125,280
	<u>125,280</u>	<u>125,280</u>
<b>Due within one year</b>		
Other debtors	15,046	18,634
Prepayments and accrued income	78,180	81,065
	<u>93,226</u>	<u>99,699</u>

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**Vanda Pharmaceuticals Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

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**5. Cash at bank and in hand**

	2018 £	2017 £
Cash at bank and in hand	327,840	662,859
	<u>327,840</u>	<u>662,859</u>

**6. Creditors: Amounts falling due within one year**

	2018 £	2017 £
Amounts owed to group undertakings	537,626	906,850
Corporation tax	18,602	6,660
Other creditors	4,210	49,756
Accruals and deferred income	96,492	138,310
	<u>656,930</u>	<u>1,101,576</u>

**7. Creditors: Amounts falling due after more than one year**

	2018 £	2017 £
Deferred rent	11,074	21,514
	<u>11,074</u>	<u>21,514</u>

**8. Deferred tax**

	2018 £	2017 £
At beginning of year	(21,147)	(14,078)
Deferred tax/(charge) to income statement for the period	9,250	(2,608)
Other differences	-	(1)
Adjustment in respect of prior years	-	(4,460)
<b>At end of year - (liability)</b>	<u>(11,897)</u>	<u>(21,147)</u>

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

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**8. Deferred tax (continued)**

The deferred tax balance is made up as follows:

	2018 £	2017 £
Fixed asset timing differences	(14,719)	(26,867)
Short term timing differences - trading	2,822	5,720
	<u>(11,897)</u>	<u>(21,147)</u>

**9. Called up share capital**

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
1 (2017 - 1) Ordinary Shares of £1.00	<u>1</u>	<u>1</u>

**10. Share based payments**

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

**11. Commitments under operating leases**

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

	2018 £	2017 £
Not later than 1 year	208,800	208,800
Later than 1 year and not later than 5 years	239,884	500,884
	<u>448,684</u>	<u>709,684</u>

The non-cancellable portion of the lease is 5 years, due to end May 2021. The lease can be extended for a period of another 5 years.

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

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**12. Related party transactions**

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

Details of amounts owed to related parties is given in note 6.

Details of parent undertakings and the smallest group in which the Company is included in consolidated financial statements are given in note 13.

**13. Controlling party**

The Company's ultimate parent is Vanda Pharmaceuticals Inc. which is incorporated in the United States of America, Vanda Pharmaceuticals Inc. registered address is 2200 Penn Ave NW Ste 300e Washington. The Company's immediate parent is also Vanda Pharmaceuticals Inc. The Company's smallest and largest group to consolidate the financial statements is Vanda Pharmaceuticals Inc. Consolidated financial statements for Vanda Pharmaceuticals Inc. are publicly available from the Securities and Exchange Commission.