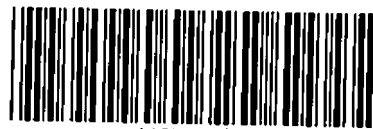


COMPANY REGISTRATION NUMBER 01653765

Ipsen Biopharm Limited
Report and financial statements
31 December 2019

WEDNESDAY



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COMPANIES HOUSE

Ipsen Biopharm Limited

Officers and professional advisers

The board of directors

A M Ali
I L Boyne
J A Chaddock
C Lamb
N Davis

Company secretary

C Lamb

Registered office

Ash Road
Wrexham Industrial Estate
Wrexham
LL13 9UF

Auditor

Constantin
25 Hosier Lane
London
EC1A 9LQ

Ipsen Biopharm Limited

Strategic Report

Year ended 31 December 2019

The Directors present their strategic report for the year ended 31 December 2019.

Principal activities and objectives

Ipsen Biopharm Limited manufactures and markets products and develops products and processes related to the pharmaceutical industry and provides research and development services to affiliated companies. The objectives of the Company are to expand the market share of its principal product, "Dysport®", by increasing its therapeutic indications and working in conjunction with Galderma, an Alliance partner responsible for distributing Dysport® worldwide in its aesthetic indication, Azzalure®. In addition, the Company is looking to expand its product portfolio by acquiring new products such as Onivyde® which it acquired in 2017.

Business review

The Company's key financial performance and other indicators for the year were as follows:

| | 2019 £000 | 2018 £000 | % Change |
|---|----------------|----------------|------------|
| Turnover: | 389,485 | 357,989 | 9 |
| Product sales | 332,581 | 309,906 | 7 |
| Services | 18,968 | 17,540 | 8 |
| Royalties | 37,936 | 30,543 | 24 |
| Gross profit | 251,308 | 228,647 | 10 |
| Profit before tax from continuing operations | 98,202 | 78,445 | 19 |
| Capital expenditure | 29,560 | 25,720 | 15 |
| Gross profit as a % of turnover | 65% | 64% | 1 |
| Current assets as a % of current liabilities | 132% | 163% | -31 |
| Average number of employees | 582 | 555 | 5 |
| Manufacturing site frequency rate of work-related accidents: No. (No. of accidents over the last 12 months x 100,000/No. of hours worked over the last 12 months) | - | 1.11 | |
| Total waste (tonnes) | 195 | 204 | |
| Total waste by category (%): | | | |
| Hazardous | 23 | 22 | |
| Non-hazardous | 77 | 78 | |

The Company's sales and royalties have increased in the year due to the expansion of the product portfolio and significant growth through its alliance partners.

The Company has a defined EHS policy in place and actively monitors a variety of EHS indicators. The frequency of reported work-related accidents has decreased in the year due to an initiative to increase the level of reporting awareness amongst employees.

Due to the nature of the production facility the Company closely monitors its effect on the environment. There was a slight decrease in overall waste production during the year and the quantity of waste destined for land fill was nil (2018: nil).

Principal risks and uncertainties

The Company carries on business in a changing environment which poses risks for the Company that are outside its control. The key risks and uncertainties affecting the Company relate to its products and financial position. The directors review and agree policies for managing all such risks, which are summarised below. These policies have remained unchanged in the current and prior financial periods. However, other risks and uncertainties of which the Company is not aware may also have an impact on its business, financial situation or results.

Ipsen Biopharm Limited

Strategic Report (continued)

Year ended 31 December 2019

Principal risks and uncertainties (continued)

Product risk

The Company currently manufactures one product for sale to other group companies. Should the production site become unable to produce the product for a significant period of time this could have a negative impact on the Company's business, its financial situation or its results.

The Company's competitors include, in particular, large international pharmaceutical groups. Consequently, the Company is at risk from competitors introducing more effective or less expensive products used to treat the same pathologies, or from new innovative products rendering the Company's products obsolete.

Development risk

The Company has invested in the development of a product which is still in the course of development. The Company cannot be certain that the product will be approved by the competent regulatory authorities and that it will be successfully marketed. Some years can elapse before a product is approved and it may be that some new products and indications do not reach the market. The ultimate cost and success of any research and development programme is therefore uncertain but the Company prepares budgets, plans and forecasts to actively monitor progress during such programmes. Should the directors conclude that clinical or financial success is not achievable within the resources available such programmes would be halted or amended in order to minimise costs. The programmes would then be reassessed.

COVID-19 Pandemic

The Company and its parent and associated group companies have made appropriate plans to minimise the impact of COVID-19 on its business operations across the UK and worldwide. This includes the manufacture and supply of Ipsen medicines worldwide, from and into the UK for patients, as well as our current investigational research. The Company is monitoring this dynamic situation closely. Should the spread of COVID-19 create unforeseen issues with the movement of goods or raw materials, or impact our specialised workforce, this could have a negative impact on the Company's business, its financial situation or results. The Company has introduced social distancing and other preventative measures in line with and beyond current government recommendations and will continue to take relevant action as this situation evolves.

The directors have estimated the financial impact of COVID-19 in the subsequent event note (note 29).

Section 172(1) statement

Overview

The board of directors of the Company, both individually and collectively, believe they have acted in good faith, in a way that would most likely promote the success of the company for the benefit of its shareholders as a whole, whilst having regard to the stakeholders and matters set out in section 172(1)(a-f) of the Act for all decisions taken during the year ended 31 December 2019.

The board fulfils their duties partly through a governance framework that delegates day-to-day decision making to employees who make up committees of the company. Tasks were assigned to the UK & Ireland Sites Steering Committee, Leadership Team, Chairman of the Board, the Directors, Finance Director and Company Secretary as appropriate to their functions.

Our mission, strategy and consideration of the consequences of long-term sustainability of the business

As a dynamic and growing global specialty-driven biopharmaceutical company committed to improving people's lives through innovative medicines in oncology, neuroscience and rare diseases. Our strong position in Specialty Care provides the scale, expertise and stability to make a sustainable difference for people in a quickly evolving healthcare environment.

Ipsen Biopharm Limited

Strategic Report (continued)

Year ended 31 December 2019

Section 172(1) statement (continued)

Employee Engagement

The company has a strategic approach to identify, attract, hire and retain talented individuals to efficiently and effectively meet our ever growing and dynamic business needs. For our business to succeed, we need to manage our current performance, draw in and develop talent while ensuring we operate efficiently. We operate an annual performance objective setting and review process and ensure robust development plans are in place for all employees. Our Ways of Being and Code of Conduct empower employees to act in the best interests of the Company and its stakeholders.

The Company has a strategic approach to identify, attract, hire and retain talented individuals to efficiently and effectively meet our ever growing and dynamic business needs. For our business to succeed, we need to manage our people performance, develop and bring through talent while ensuring we operate efficiently.

Employee Engagement Survey

In 2019, all employees were invited to take part in an Employee Engagement Survey with the aim to benchmark results and offer site managers and management a clear understanding of the level of engagement with the Company's strategy. An action plan is in development in response to the results and six-monthly pulse surveys will continue to monitor progress.

Great Place to Work

Our site in Wrexham, North Wales entered into the GPTW assessment for 2019 to assess levels of employee engagement against other accredited Great Workplaces. This is to drive and sustain employee engagement. This assessment also offers external recognition and enhanced branding.

Paternity Leave Policy

In October 2019, the Company launched a new paternity leave policy effective from November 2019, allowing biological fathers, husbands or partners to take up to six weeks paid paternity leave for each child. The policy also covers same-sex parents, adoption and fostering.

Whistleblowing Policy

The Company is committed to the highest ethical culture and compliance standards, consequently, the business expects employees to act according to the same standards. The Company has a whistleblowing policy encouraging employees to speak up and report behaviour that does not comply with the Company's Code of Conduct, ethical principles and/or legal obligations. To this effect, a 24/7 whistleblowing hotline, independently managed by the Ethics & Compliance team was launched in July 2019.

Data Privacy

To ensure that employees are aware of the importance of data protection, training modules were developed for all employees through online trainings and face-to-face trainings adapted to different functions of the business.

A dedicated Data Privacy Manager was recruited to support the company in 2019 which has helped to increase levels of training for employees on data privacy matters and manage data privacy compliance in respect of employee and other stakeholder personal data.

Gender Pay Gap

In 2019, we published our Gender Pay Gap data for the entire UK organisation. Our results show a 1.5% median pay gap and mean pay gap of 14.8%. We took clear actions to improve the number of men and women receiving bonus within the organisation and as a result we are pleased to be able to report that over 90% of both male and female employees received a bonus in 2019.

IR35

The UK & Ireland Sites Steering Committee, an Executive Committee considered the financial and Human Resources implications of IR35 for 2020 onwards and the business impact of this legislation has been fully assessed and managed.

Ipsen Biopharm Limited

Strategic Report *(continued)*

Year ended 31 December 2019

Section 172(1) statement *(continued)*

Stakeholder Engagement

Our ability to respond to stakeholders' expectations is a measure of our credibility and sustainability.

The Company has a transparent and regular dialogue with its stakeholders including shareholders, payors, patients and healthcare professionals, suppliers, regulatory authorities and agencies, local communities and the media in order to provide reliable and factual information, to pursue a constructive dialogue, develop partnerships, support patient associations with the ultimate goal of providing differentiated and innovative solutions that improve patients' lives.

Patients and Health Care Professionals

Board decisions during the year were driven by having patient needs at the centre of all discussions, maintaining the highest standards in terms of safety and quality to all our products, responsibly engaging with patients and patient organisations to ensure that we can properly understand their requirements and managing our supply chain to safeguard medicines supply.

The Company protects the data of other partners we interact with by being transparent about use of their data in all our activities. We recruited a dedicated UK & Ireland Data Privacy manager in 2019 to advise, implement and monitor compliance with Data Privacy regulations.

The board has established a dedicated quality management committee comprised of senior quality, regulatory, pharmacovigilance and supply chain managers to ensure that issues affecting the safety and quality of our medicines are properly managed and triaged to senior leadership as appropriate.

Shareholders

The board of directors understand the importance of continued relationship with shareholders, it is important to us that our shareholders understand that our strategy and objectives are aligned with the Ipsen global group (the "Group") and there is a consistent and ongoing dialogue between the Company and the Group.

The aim of the board of directors of the Company is to ensure a good dialogue with its shareholders, Ipsen Developments Limited as well as other members of the Group to ensure continued financial performance and commercial success.

The board ensures appropriate governance is in place with our shareholders through regular functional business reviews, annual and quarterly budget reviews and board approvals for capital expenditure. We also implement appropriate controls to delegate authority from Group to Company management for contractual and financial matters.

Environment and the community

The Company is committed to protecting the environment and minimising our impact on it by making our activities safe and sustainable. believes firmly that responsible environment stewardship is essential to protect the planet and improve efficiency for a sustainable future. The Company is committed to ensuring environmental stewardship from the purchasing of raw materials to packaging and beyond, thereby ensuring the protection of the environment throughout the entire product lifecycle.

The Board of Directors had regard to all applicable regulatory requirements, Environment, Health & Safety policies standards and requirements while protecting the environment by preventing pollution.

At Wrexham in 2019 a number of sustainable energy saving initiatives were implemented across our manufacturing and development site, which included the replacement of LED/sodium light fittings in warehouses, offices and external lighting upgrades, with the addition of motion sensors; solar panels were fitted to our newly built B1 office and packing line building; a system of purchasing and replacement of equipment for more energy efficient options were introduced; and boiler burners were replaced feeding our manufacturing facility. In addition, an energy campaign was begun highlighting the importance of reducing our usage of both gas and electricity across site, which included the roll out of sub-metering across site. In 2019 a total of 5mKWHs were saved.

In 2019 all of Wrexham's electricity was supplied as green energy from sustainable sources, lowering our overall carbon footprint.

Ipsen Biopharm Limited

Strategic Report *(continued)*

Year ended 31 December 2019

Section 172(1) statement *(continued)*

Environment and the community *(continued)*

Our Biodiversity programme commenced in 2019 planting a number of trees and plants across the site creating habitats for local biodiversity, including the addition of 5 bird boxes, thus making the Wrexham site a more attractive environment to work within.

In July 2019, the Company launched a Volunteering Policy to encourage employees to support community or charitable activities considered important to them thereby offering one day paid time off per calendar year to take part in volunteering activity that supports the Companies three pillars of Corporate Social Responsibility– Employees, Environment and Patients & Society. Though not exhaustive, the policy covers fundraising or any other activity that supports charities or activity aimed at improving the environment in the local community.

During 2019 members of the board and leadership team volunteered to deliver career support to local schools to demonstrate our support as a local employer in the community.

The board through its management team launched a new work experience programme in 2019, that offers students the chance to 'follow the molecule' across our three UK sites and gain insights into the full drug development process. Our 2019 intake comprised of 6 students across 4 schools (two schools in close proximity to the Wrexham site, and two schools within the Slough / London area). Students were tasked with a group project (to bring the newly discovered 'molecule X' to market in order to benefit patients), before a playback session at the end of the week. In support of this project students spent time with representatives from across the UK business including research and development, manufacturing, clinical operations, supply chain, commercial and ethics & compliance. When surveyed at the end of the programme, students felt they had gained a strong understanding of the pharmaceutical industry and energised about a career in healthcare. The Company also benefited from the students' insights into their expectations of such a career which will inform future talent planning.

Suppliers

The Company worked in close collaboration with a wide range of suppliers whose services and goods are critical to the performance of the Company and quality of its products. As part of the Ethics and Compliance programme, we operate an independently managed, risk-based approach to interactions with third party suppliers. This includes due diligence, background checks and investigations into adverse media. Where risk is identified we look further into the supplier to establish what compliance practices they have adopted including their code of ethics, how they deal with concerns that are raised and human rights and labour laws. Where required, we provide training and education on our compliance and anti-corruption requirements. Due diligence also identifies sanctions against individuals associated with the supplier.

Our Business Partner Code of Conduct details our approach to avoid enforced labour, including child labour and to ensure respect of people. It also includes our commitment to the 10 principles of the UN Global Compact including those related to labour and human rights.

At a global level, there is the Company's Third-party Compliance Programme, which aims to combat corruption and bribery. It is the Third-Party Due Diligence (3PDD), which assesses several hundreds of suppliers each year, was implemented with the following objectives:

1. Identify and avoid transacting with any third party subjected to economic or trade sanctions; and
2. Assess whether the third party can be reasonably expected to comply with anti-corruption laws after it is engaged.

The purchasing department have been working with a Company Rating Agency to conduct assessments and optimise sustainable positioning of its main suppliers. The Company also works with Ecovadis on the risk of improving the management of the 3PDD process.

The board regularly reviews the Company's modern slavery statement to ensure responsible and ethical recruitment and sourcing throughout our Company.

Regulators

All quality processes are documented in a formal Quality Management System (QMS) that insures full traceability on every batch of product. The QMS also assures that the processes are reproducible and allows teams to

Ipsen Biopharm Limited

Strategic Report (continued)

Year ended 31 December 2019

Section 172(1) statement (continued)

Suppliers (continued)

demonstrate this by means of the comprehensive internal audit. There is an established, documented, implemented and maintenance of effective QMS in accordance with the appropriate requirement of regulations, standards and directives.

The Board, through its management team, has worked closely with the Medicines Health and Regulatory Agency (MHRA) and the European Medicines Agency (EMA) in 2019 to secure local product licences for its portfolio of products to safeguard the supply of medicines to and from the UK following Brexit.

The management team also regularly attend MHRA symposia on regulatory, quality and pharmacovigilance topics as well as 1:1 clinics to enable senior stakeholder engagement and a two way dialogue on topics pertinent to our business.

Government and Payors

The board has an established public affairs function, the Head of which also heads the UK & Ireland Sites Steering Committee (which the board of directors are members of), ensuring that Government and Payor engagement is considered by the board and its committees.

The aim of this function is to ensure that the Company's concerns are heard within government and government agencies and are aligned with the government's agenda for industry. To further this aim, multiple two-way discussions have taken place in 2019 with senior stakeholders including the Chairman of NHS England, and Secretaries-of-State and Ministers within Departments for Health, Business, and Trade, as well as constituency MPs.

As well as these UK Government ministers, the board and management team have engaged with a number of Welsh Government ministers, agencies and senior civil servants in 2019, with the aim of building support for the Company's ongoing investment in the UK.

The board, through its management team, has worked closely with Government departments in 2019 to safeguard the supply of medicines from the UK following Brexit.

On behalf of the board



I L BOYNE
Director

27th October 2020

Ipsen Biopharm Limited

Directors' report

Year ended 31 December 2019

The directors present their report and the financial statements of the company for the year ended 31 December 2019.

Directors

The directors who served the company during the year were as follows:

J A Chaddock
N Davis
I L Boyne
A M Ali
C Lamb

Results and dividends

The profit for the year from continuing operations, after taxation, amounted to £75,728,000 (2018: £59,669,000).

The directors approved a payment of a dividend in the year of £123,109,000 (2018: £Nil)

Future outlook

The directors are of the view that the continued establishment of the product in therapeutic areas in the various territories and the on-going relationship with Galderma for the aesthetic use of the Dysport® product, together with the acquisition of Onivyde®, will generate further growth in revenue for the Company.

The directors believe that the Company's performance will continue at a satisfactory level.

Political contributions

The Company made no political contributions during the year (2018: £nil).

Research and development

The Company continues to focus on expanding the areas in which the "Dysport®" product may be used by investing in research and development activities and incurs costs in undertaking or sponsoring research into and developments of new products, manufacturing processes and associated technologies on behalf of itself and affiliated companies. The directors regard investment in research and development as integral to the continuing success of the business and in the current financial year invested £83,217,000 (2018: £92,423,000) in research and development activity.

Financial risk management objectives and policies

The Company is exposed to financial risk through its use of financial instruments and principally to currency risk and interest rate risk, which result from both its operating and investing activities. The Company's risk management is coordinated at its premises, in close co-operation with the board of directors and with the Ipsen SA group to which it belongs and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets. The most significant financial risks to which the Company is exposed are described below.

Exchange rate risk

A proportion of the Company's sales are in euros or US dollars and the exchange risk arising is partly mitigated by purchases from overseas suppliers also denominated in euros or US dollars. Funding of foreign currency or hedging required is managed by the Ipsen SA group's treasury function, in conjunction with local management.

Price risk

The commercial success of the Company's products depends partly on the proportion of their price reimbursed by private medical insurance companies, health insurance bodies and public healthcare programmes.

Ipsen Biopharm Limited

Directors' report (continued)

Year ended 31 December 2019

Financial risk management objectives and policies (continued)

Credit risk

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the financial year. In respect of trade and other receivables, the Company is not exposed to any significant credit risk with any single counterparty or any group of counterparties having similar characteristics as these balances principally comprise intra-group balances and amounts from Alliance partners. It is Company policy to ensure that such amounts receivable are paid on time and the Company's management consider that these financial assets are not impaired for each of the reporting dates under review and are of good credit quality. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Interest rate risk

The Company is part of a group pooling arrangement with other group companies whereby excess funds are lent to or deficits borrowed from other group companies. Rates of interest are set with reference to the market rates ruling in the lender's country. At 31 December 2019, the Company is exposed to changes in market interest rates through its lending to group companies, which are subject to the variable interest rates as detailed in note 18.

Liquidity and cash flow risk

The Company's business activities, together with the factors likely to affect its future development and position, are set out above and the Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Ipsen SA group's centralised treasury management arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Company manages its liquidity needs by carefully monitoring payments for long-term financial liabilities as well as cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. The Company works in conjunction with the Ipsen SA group's treasury department to maintain its cash to meet its liquidity requirements.

The directors, having assessed the responses of the directors of the Company's parent company to their enquiries, have no reason to believe that a material uncertainty exists that may cause significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities and its exposure to price, credit, liquidity and cash flow risk are described in the report above.

The company has sufficient financial resources together with a good customer base across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risk successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Employee involvement

The Company has continued its practice of holding both formal and informal staff update briefings to keep employees informed of matters affecting them as employees and the financial and economic factors influencing the performance of the Company. In addition, employee communications and in-house magazines at both Company and group level are produced regularly to keep employees informed on corporate developments.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Company may continue. It is the policy of the Company that training, career development and promotion opportunities are available to all employees.

Ipsen Biopharm Limited

Directors' report *(continued)*

Year ended 31 December 2019

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 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 of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

In so far as each of the directors is aware:

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditor is unaware; and
- the directors have taken all 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

The company is not obliged to reappoint its auditor annually and Constantin will therefore continue in office.

UK leaving the European Union

The Company has made appropriate plans to ensure the product manufactured can continue to be supplied worldwide, from and into the UK, after the date the UK leaves the European Union. It has followed advice of relevant competent authorities in defining and executing these plans and anticipated multiple scenarios. Should the UK's departure from the European Union create unforeseen issues with the movement of goods on either side of the border, this could have a negative impact on the company's business, its financial situation or results. The Company is also advanced in its plans to support employees and their families who may be impacted by the UK's exit from the European Union.

Ipsen Biopharm Limited

Directors' report *(continued)*

Year ended 31 December 2019

Conversion of Share Premium into distributable reserves

The Directors of the Company have accepted, on 18th March 2019, that the premium arising on past issue of shares amounting to £10,109,000 be converted into distributable reserves. This was distributed as a dividend to its Parent company, Ipsen Developments Limited, as disclosed in note 26.

On behalf of the board



I L BOYNE

Director

27th October 2020

Independent auditor's report to the members of Ipsen Biopharm Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Ipsen Biopharm Limited (the 'company') which comprise:

- income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 29, which includes a statement of 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).

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 required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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

Independent auditor's report to the members of Ipsen Biopharm Limited (continued)

Responsibilities of directors (continued)

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 these financial statements.

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.

Emphasis of matter – uncertain outcome of a dispute

We draw your attention to note 17 in the financial statements, the uncertain outcome of a dispute which seeks to recover payment of material unpaid and overdue invoices disputed by the buyer. Ipsen Biopharm Limited is the claimant in the dispute and is currently in negotiation with the defendant to resolve the matter amicably. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Peter Smith, FCA (Senior Statutory Auditor)

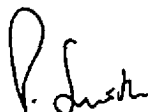
For and on behalf of Constantin, Chartered Accountants and Statutory Auditor

25 Hosier Lane

London

EC1A 9LQ

27th October 2020



Ipsen Biopharm Limited

Income Statement

For the year ended 31 December 2019

| | Note | 2019 £000 | 2018 £000 |
|--|------|----------------|----------------|
| Continuing operations | | | |
| Turnover | 2 | 389,485 | 357,989 |
| Cost of sales | | (138,177) | (129,342) |
| Gross profit | | 251,308 | 228,647 |
| Other operating income | 3 | 14,195 | 16,471 |
| Distribution expenses | | (50,373) | (55,573) |
| Administrative expenses | | (36,718) | (21,380) |
| Development expenses | | (78,520) | (92,423) |
| Other operating gains and (losses) | 7 | (1,292) | 2,491 |
| Operating profit | 4 | 98,600 | 78,233 |
| Interest receivable and similar income | 8 | 847 | 663 |
| Interest payable and similar charges | 9 | (1,245) | (451) |
| Profit on ordinary activities before taxation | | 98,202 | 78,445 |
| Tax on profit on ordinary activities | 10 | (22,474) | (18,776) |
| Profit for the year from continuing operations | | 75,728 | 59,669 |
| Discontinued operations | 11 | 398 | 32 |
| Profit after tax for the year from discontinued operations | | | |
| Profit for the financial year | | 76,126 | 59,701 |

The notes on pages 18 to 38 form part of these financial statements.

Ipsen Biopharm Limited

Statement of Comprehensive Income

For the year ended 31 December 2019

| | 2019 £000 | 2018 £000 |
|---|----------------------------|----------------------------|
| Profit for the year | 76,126 | 59,701 |
| Other comprehensive income | | |
| Items that cannot be reclassified to profit or loss: | | |
| Re-measurement (losses)/gains on defined benefit pension plans | (1,665) | 1,645 |
| Tax on items relating to components of other comprehensive income | 283 | (280) |
| Total other comprehensive (loss)/income for the year, net of tax | (1,382) | 1,365 |
| Total comprehensive income for the year, net of tax | 74,744 | 61,066 |

The notes on pages 18 to 38 form part of these financial statements.

Ipsen Biopharm Limited

Balance Sheet

As at 31 December 2019

| | Note | 2019 £000 | 2018 Restated £000 |
|--|------|------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 12 | 273,563 | 295,301 |
| Tangible assets | 13 | 152,429 | 134,000 |
| Right of use assets | 14 | 15,974 | - |
| Investments | 15 | 18 | 18 |
| | | <u>441,984</u> | <u>429,319</u> |
| Current assets | | | |
| Stocks | 16 | 18,265 | 16,426 |
| Debtors due within one year | 17 | 140,205 | 183,185 |
| Cash at bank and in hand | | 2 | - |
| | | <u>158,472</u> | <u>199,611</u> |
| Creditors: Amounts falling due within one year | 18 | <u>(122,058)</u> | <u>(119,904)</u> |
| Net current assets/(liabilities) | | <u>36,414</u> | <u>79,707</u> |
| Total assets less current liabilities | | <u>478,398</u> | <u>509,026</u> |
| Creditors: Amounts falling due after more than one year | 19 | (75,214) | (60,063) |
| Provisions for liabilities | | | |
| Deferred tax | 20 | (15,104) | (13,708) |
| Defined benefit pension deficit | 21 | (2,278) | (1,088) |
| | | <u>385,802</u> | <u>434,167</u> |
| Capital and reserves | | | |
| Called-up equity share capital | 25 | 308,019 | 308,019 |
| Share premium | 26 | - | 10,109 |
| Profit and loss account | 26 | 77,783 | 116,039 |
| Shareholders' funds | | <u>385,802</u> | <u>434,167</u> |

The 2018 numbers have been restated to move Prepaid consumables from Debtors due within one year to Stock for £1,0096,000.

These financial statements were approved by the directors and authorised for issue on 27th October 2020 and are signed on their behalf by:



I L BOYNE
Director
27th October 2020

Company Registration Number: 01653765

The notes on pages 18 to 38 form part of these financial statements.

Ipsen Biopharm Limited
Statement of changes in equity
31 December 2019

Attributable to owners of the company

| | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
|--|---------------------------|---------------------------|-------------------------------|----------------|
| At 1 January 2018 | 308,019 | 10,109 | 54,973 | 373,101 |
| Profit for the financial year | - | - | 59,701 | 59,701 |
| Other comprehensive income | - | - | 1,365 | 1,365 |
| Equity issue | - | - | - | - |
| Total comprehensive income for the year | - | - | 61,066 | 61,066 |
| Transaction with owners: | | | | |
| Equity dividend paid | - | - | - | - |
| At 31 December 2018 and 1 January 2019 | 308,019 | 10,109 | 116,039 | 434,167 |
| Profit for the financial year | - | - | 76,126 | 76,126 |
| Other comprehensive income | - | - | (1,382) | (1,382) |
| Equity issue | - | - | - | - |
| Total comprehensive income for the year | - | - | 74,744 | 74,744 |
| Transaction with owners: | | | | |
| Cancellation of share premium | - | (10,109) | 10,109 | - |
| Equity dividends paid | - | - | (123,109) | (123,109) |
| At 31 December 2019 | 308,019 | - | 77,783 | 385,802 |

The notes on pages 18 to 38 form part of these financial statements.

Ipsen Biopharm Limited

Notes to the financial statements

31 December 2019

1. Accounting policies

Reporting entity

Ipsen Biopharm Limited ("the Company") is a private company, limited by shares incorporated in England and Wales. The address of the Company's registered office is Ash Road, Wrexham Industrial Estate, Wrexham LL13 9UF. The financial statements of the Company as at and for the year ended 31 December 2019 present information about the Company as a separate entity and not about its group. The Company is primarily involved in the development, manufacture and marketing of products and processes related to the pharmaceutical industry and provides research and development services to affiliated companies.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The Company elected to adopt the standard with a transition date of 1 January 2013.

The financial statements have been prepared on the historical cost basis except where indicated otherwise.

The financial statements are presented in UK sterling, which is also the Company's functional currency, and rounded to the nearest thousand pounds ("£000"), except where indicated.

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 29.

The Company is exempt from the requirement to produce group financial statements by virtue of section 400 of the Companies Act 2006, on the grounds that the Company is included in the consolidated financial statements of Ipsen SA, a company incorporated in France.

The financial statements have been prepared and in accordance with the Companies Act 2006 and the principal accounting policies as summarised below. They have all been applied consistently throughout the year.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities and its exposure to price, credit, liquidity and cash flow risk are described in the report above.

The company has sufficient financial resources together with a good customer base across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risk successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure exemptions adopted

The following disclosure exemptions have been adopted:

- Preparation of a cash flow statement
- The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow owned companies.
- Presentation of comparative reconciliations for property, plant and equipment and intangible assets
- Disclosure of key management personnel compensation
- Capital management disclosures
- Disclosures in respect of standards in issue not yet effective

Ipsen Biopharm Limited

Notes to the financial statements

31 December 2019

1. Accounting policies (continued)

Disclosure exemptions adopted (continued)

The following disclosure exemption has also been adopted as equivalent disclosures are provided in the parent consolidated financial statements.

- Share-based payment under IFRS 2
- Reduced financial instruments disclosures relating to IFRS 7
- Narrative regarding impairment of assets under IAS 36

Foreign currency - Functional and presentation currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of profit or loss.

Intangible fixed assets

Expenditure on research activities is recognised in the statement of profit or loss as an expense when incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the statement of profit or loss as an expense when incurred.

License rights, software licences and other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Licence rights and associated development costs are carried at cost, subject to impairment review, and amortised from the date of issue of marketing approval. Other intangible assets comprise Know How and assets awaiting completion. Assets awaiting completion are amortised from the date that they are brought into use. The estimated useful lives are as follows:

- | | |
|---------------------|--------------|
| - software licences | 3 - 10 years |
| - licence rights | 5 - 15 years |
| - other intangibles | 3 - 10 years |

Tangible fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of profit and loss on a straight-line basis over the useful estimated lives of each part of an item of property, plant and equipment with the exception of the new "Building 2" production facility. The Building 2 facility is depreciated on a units of production basis using production levels of the assets over the useful life. Land and assets under construction are not depreciated. The estimated useful lives are as follows:

- | | |
|---------------------------------|--------------------------|
| - buildings | 10 to 50 years |
| - leasehold improvements | over period of the lease |
| - fixtures and fittings | 5 - 20 years |
| - plant, machinery and vehicles | 5 - 25 years |
| - office equipment | 3 - 5 years |

Ipsen Biopharm Limited

Notes to the financial statements

31 December 2019

1. Accounting policies (*continued*)

Investments in subsidiaries

Investments in subsidiaries and associates are carried at cost, less any adjustment for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the standard cost principle and includes expenditure incurred in acquiring the stock and bringing them to their existing location and condition. In the case of manufactured stock and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment

The carrying amounts of the Company's assets, stock and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets

Financial assets are classified, at initial recognition, as loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Under IFRS 7, the Company's loans, trade and other receivables are categorised as "Loans and receivables" as they are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The valuation method for this category of financial asset is "amortised cost" using the effective interest method, less any impairment provision. For all current receivables "amortised cost" is effectively cost.

Ipsen Biopharm Limited

Notes to the financial statements

31 December 2019

1. Accounting policies (*continued*)

Financial assets (*continued*)

The carrying values of the Company's financial assets are reviewed throughout the year to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised to reduce the asset's carrying value to the estimated recoverable amount. For receivables, this review is based on the latest information available and any financial assets that are substantially past due are also considered for impairment. Any change in the value of financial assets is recognised in the statement of profit or loss line item "interest payable and similar charges" or "interest receivable and similar income", as appropriate.

Financial liabilities

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company's financial liabilities include borrowings, trade and other payables, which are measured at amortised cost using the effective interest rate method. For all current payables "amortised cost" is effectively cost.

Financial liabilities are recognised when the Company becomes a party to the contractual terms of the instrument. All interest-related charges, and if applicable, changes in an instrument's fair value are reported in the statement of profit or loss line item "interest payable and similar charges" or "interest receivable and similar income", as appropriate.

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments, such as forward currency contracts, to manage its exposure to its exchange rate risks. Such derivative financial instruments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and strategy for undertaking various hedge transactions. In addition, at the inception of the hedge and on an on-going basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of such hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is recognised in "Other operating gains and losses".

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the line "Other operating gains and losses". However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in the other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Employee benefits

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the comprehensive statement of income as incurred.

Ipsen Biopharm Limited

Notes to the financial statements

31 December 2019

1. Accounting policies (continued)

Employee benefits (continued)

Defined benefit pension plans

The Company's net obligation in respect of its defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, but the timing or the amount of the outflow may still be uncertain. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Turnover

Turnover comprises the fair value or the consideration received or receivable for the sale of goods, services and royalty income receivable in the normal course of business. Turnover is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding VAT and trade discounts. Turnover is recognised upon the performance of services or transfer of risk to the customer.

Sales of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, which is generally when the goods are delivered,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Company, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover from the sale of goods is reduced to reflect rebates that may need to be raised in the future. These reductions are dependent upon the submission of claims that may arise sometime after the initial recognition of the sale.

Rendering of services

Service income is recognised when invoiced and relates to the direct costs incurred in providing the service, together with attributable overheads and margin. The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the entity, and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Royalties

Royalties are recognised on an accruals basis in accordance with the substance of the relevant agreement when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the royalty can be measured reliably.

Other operating income

Up-front and milestone receipts from licensing agreements are capitalised as deferred revenue and released to the statement of profit or loss on a straight-line basis over the period of the agreement.

Ipsen Biopharm Limited

Notes to the financial statements

31 December 2019

1. Accounting policies (*continued*)

Leases

IFRS 16 application from 1 January 2019

In line with IFRS 16 standard, lease contracts have been accounted for from January 1, 2019 applying a single recognition model that led to the recognition of an asset, the 'right of use' booked in tangible assets and a lease liability booked as a current or non-current liability.

Ipsen applies IFRS 16 provisions to all lease contracts except low value and short term (less than twelve months) lease contracts.

Application of IAS 17 lease to 2018 Financial Statements

The transition method elected for the first application of IFRS 16 is the simplified retrospective method. 2018 comparative data have not been adjusted. The standard applicable to previous years Financial Statements is IAS 17 standard – Lease. Different accounting treatments apply depending on the nature of the contract which can whether be an operating lease or a finance lease.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, plus or minus any adjustment to tax payable in respect of previous years. When available, tax losses are purchased from other group companies.

Deferred tax is provided on material temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Dividends

Dividend distributions payable to equity shareholders are included in "other short term financial liabilities" when the dividends are approved in general meeting prior to the balance sheet date.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Retained earnings" represents retained profits.

Ipsen Biopharm Limited

Notes to the financial statements

Year ended 31 December 2019

2. Turnover

Turnover as recognised in the income statement is analysed as follows:

| | 2019 £000 | 2018 £000 |
|----------------------|----------------|----------------|
| Sale of goods | 332,581 | 309,906 |
| Recharge of services | 18,968 | 17,540 |
| Royalties | 37,936 | 30,543 |
| | <u>389,485</u> | <u>357,989</u> |

Turnover by geographical area

| | 2019 £000 | 2018 £000 |
|--------------------------|----------------|----------------|
| United Kingdom | 3,255 | 3,444 |
| Rest of Europe | 263,824 | 238,313 |
| United States of America | 116,257 | 109,291 |
| Rest of the world | 6,149 | 6,941 |
| | <u>389,485</u> | <u>357,989</u> |

3. Other operating income

| | 2019 £000 | 2018 £000 |
|--|---------------|---------------|
| Income from licensing out product rights | <u>14,195</u> | <u>16,471</u> |

4. Operating profit

Operating profit is stated after charging/(crediting):

| | 2019 £000 | 2018 £000 |
|--|--------------|----------------|
| Amortisation of intangible assets: | | |
| - included in Cost of sales | 23,533 | 23,459 |
| - included in Administrative expenses | 161 | 164 |
| - included in Development expenses | 36 | 14 |
| Depreciation of fixed assets | 8,748 | 7,190 |
| Loss on disposal of fixed assets | 392 | 526 |
| Research and development expenditure credit | (1,601) | (1,187) |
| Auditor's remuneration | | |
| - fees payable for the audit of the financial statements | 69 | 67 |
| Operating lease costs: | | |
| - Plant and equipment | 218 | 224 |
| - Land and buildings | 1,926 | 2,009 |
| Net loss/(gain) on foreign currency translation | <u>900</u> | <u>(1,628)</u> |

Ipsen Biopharm Limited

Notes to the financial statements

Year ended 31 December 2019

5. Particulars of employees

The average number of staff employed by the company (including directors) during the financial year amounted to:

| | 2019 No | 2018 No |
|----------------|------------|------------|
| Production | 283 | 293 |
| Distribution | 50 | 33 |
| Administration | 106 | 100 |
| Development | 142 | 129 |
| | <u>582</u> | <u>555</u> |

The aggregate payroll costs of the above were:

| | 2019 £000 | 2018 £000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 41,166 | 37,294 |
| Social security costs | 5,631 | 5,765 |
| Other pension costs | 2,904 | 2,648 |
| Other costs | 1,194 | 1,096 |
| | <u>50,894</u> | <u>46,803</u> |

In 2016 the Company's defined benefit plan was closed to further accrual and details of the defined benefit scheme are disclosed in note 21. The company contributes to an externally funded defined contribution pension plans. The total expense relating to the defined contribution plan in the current year was £2,904,000 (2018: £2,648,000).

A number of the employees participated in the Ipsen SA share scheme in 2018. Included in Other costs is a total expense of £nil (2018: £117,000) in respect of share-based payments made by Ipsen SA to the Company's employees. Details of these schemes are disclosed in note 22.

6. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Remuneration receivable | 515 | 1,359 |
| Value of company pension contributions to money purchase schemes | 107 | 92 |
| | <u>622</u> | <u>1,451</u> |

| | No. of directors | No. of directors |
|--|------------------|------------------|
| Retirement benefits are accruing to the following number of directors under money purchase schemes | <u>4</u> | <u>9</u> |
| Number of directors who received shares in respect of qualifying services | <u>-</u> | <u>2</u> |
| Number of directors who exercised share options | <u>-</u> | <u>-</u> |

The remuneration of the highest paid director was £179,000 (2018: £645,000) and the Company made pension contributions of £34,000 (2018: £1,000) on his behalf.

Ipsen Biopharm Limited

Notes to the financial statements

Year ended 31 December 2019

7. Other operating gains and losses

| | 2019 £000 | 2018 £000 |
|---|----------------|--------------|
| Exchange (losses)/gains | (900) | 1,628 |
| (Loss)/profit on disposal of fixed assets | (392) | (526) |
| Dividends received | - | 1,389 |
| | <u>(1,292)</u> | <u>2,491</u> |

8. Interest receivable and similar income

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Interest receivable from group undertakings | 455 | 297 |
| Interest receivable on bank deposits | - | 4 |
| Interest on defined benefit pension plan obligations | 384 | 321 |
| Other interest receivable | 8 | 41 |
| | <u>847</u> | <u>663</u> |

9. Interest payable and similar charges

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Interest payable to group undertakings | 237 | 25 |
| Interest on defined benefit pension plan obligations | 407 | 394 |
| Lease interest | 597 | - |
| Other interest payable | 4 | 32 |
| | <u>1,245</u> | <u>451</u> |

10. Taxation on ordinary activities

Analysis of charge in the year:

| | 2019 £000 | 2018 £000 |
|---|---------------|---------------|
| <i>Current tax:</i> | | |
| In respect of the year: | | |
| UK Corporation tax based on the results for the year at 19% (2018: 19%) | 20,852 | 17,437 |
| Over provision in prior year | (56) | (1,064) |
| Total current tax | <u>20,796</u> | <u>16,373</u> |
| <i>Deferred tax:</i> | | |
| Charge for the year (note 20) | <u>1,678</u> | <u>2,403</u> |
| Tax on profit on ordinary activities | <u>22,474</u> | <u>18,776</u> |

Ipsen Biopharm Limited

Notes to the financial statements

Year ended 31 December 2019

10. Taxation on ordinary activities (continued)

Recognised in other comprehensive income

Deferred tax:

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Charge on net actuarial gains and losses | <u>283</u> | <u>280</u> |

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2018: 19 %).

| | 2019 £000 | 2018 £000 |
|---|---------------|---------------|
| Profit from ordinary activities of continuing operations before tax | <u>98,202</u> | <u>78,445</u> |
| Profit on ordinary activities at the rate of tax | 18,658 | 14,904 |
| Expenses not deductible for tax purposes | 79 | 777 |
| Tax exempt income | (354) | (545) |
| Intragroup tax losses purchased | 4,186 | 3,836 |
| Previously unrecognised temporary difference | 11 | 1,007 |
| Reduced tax charge for prior year | (56) | (1,064) |
| Impact of tax rate change on closing liability | (50) | (139) |
| Total tax charge | <u>22,474</u> | <u>18,776</u> |

Apart from the tax charge recognised in Other Comprehensive Income, no current or deferred tax was charged or credited directly to equity in the year or comparative year.

The current tax charge includes £5,198,000 in respect of tax losses of £5,327,000 purchased in the year from related companies. The tax impact of buying the losses for more than the tax value is £4,186,000 as shown above as "Intragroup tax losses purchased". This is calculated as being £5,198,000 (tax cash) less £5,327,000 (tax losses) at 19% (tax value).

11. Discontinued operations

On 24 January 2013 the Ipsen SA group entered into an Asset Purchase Agreement which included the sale of the Company's rights to certain of its haemophilia assets. The sale concluded on 21 March 2013 and the Company's activities related to haemophilia have been classified as a discontinued operation which is summarised as follows:

| | 2019 £000 | 2018 £000 |
|--|--------------|----------------|
| Turnover | 999 | 1,346 |
| Expenses | <u>(508)</u> | <u>(1,306)</u> |
| Profit before tax | 491 | 40 |
| Attributable income tax expense | <u>(93)</u> | <u>(8)</u> |
| Profit for the year from discontinued operations attributable to the owners of the company | <u>398</u> | <u>32</u> |

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Notes to the financial statements

Year ended 31 December 2019

12. Intangible fixed assets

| | Software licences £000 | Licence rights £000 | Other intangible assets £000 | Total £000 |
|----------------------------|------------------------------|---------------------------|---------------------------------------|----------------|
| Cost | | | | |
| At 1 January 2019 | 2,061 | 351,522 | 313 | 353,896 |
| Additions | 210 | 48 | 1,321 | 1,579 |
| Disposals | (14) | (16,266) | - | (16,280) |
| Asset transfers | 391 | 21 | - | 412 |
| At 31 December 2019 | 2,648 | 335,325 | 1,634 | 339,607 |
| Amortisation | | | | |
| At 1 January 2019 | 1,537 | 56,746 | 312 | 58,595 |
| Amortisation for the year | 255 | 23,474 | 1 | (23,730) |
| Disposals | (14) | (16,266) | - | 16,280 |
| At 31 December 2019 | 1,778 | 63,954 | 313 | 66,045 |
| Net book value | | | | |
| At 31 December 2019 | 870 | 271,371 | 1,321 | 273,562 |
| At 1 January 2019 | 524 | 294,776 | 1 | 295,301 |

13. Tangible fixed assets

| | Land and buildings £000 | Leasehold improve- ments £000 | Plant, equipment, fixtures and vehicles £000 | Assets under construction £000 | Total £000 |
|----------------------------|-------------------------------|--|--|---|----------------|
| Cost | | | | | |
| At 1 January 2019 | 54,239 | 1,052 | 115,973 | 20,442 | 191,706 |
| Additions | 5,685 | 238 | 15,763 | 6,295 | 27,981 |
| Disposals | (552) | - | (3,736) | - | (4,288) |
| Asset transfers | 1,987 | 207 | 10,049 | (12,655) | (412) |
| At 31 December 2019 | 61,359 | 1,497 | 138,049 | 14,082 | 214,987 |
| Depreciation | | | | | |
| At 1 January 2019 | 9,346 | 106 | 48,254 | - | 57,706 |
| Depreciation for the year | 3,391 | 90 | 5,268 | - | 8,749 |
| Disposals | (396) | - | (3,501) | - | (3,897) |
| Asset transfers | - | - | - | - | - |
| At 31 December 2019 | 12,341 | 196 | 50,021 | - | 62,558 |
| Net book value | | | | | |
| At 31 December 2019 | 49,018 | 1,301 | 88,028 | 14,082 | 152,429 |
| At 1 January 2019 | 44,893 | 946 | 67,719 | 20,442 | 134,000 |

Freehold land

Included in the net book value of land and buildings of £49,018,000 is an amount of £1,517,000 (2018: £1,517,000) that relates to freehold land.

Ipsen Biopharm Limited

Notes to the financial statements

Year ended 31 December 2019

14. Right of Use Assets

| | Building £000 | Motor vehicles £000 | Other £000 | Total £000 |
|----------------------------|------------------|---------------------------|---------------|---------------|
| Right of use | | | | |
| At 1 January 2019 | 17,505 | 42 | 64 | 17,610 |
| Increase | - | 110 | - | 110 |
| Depreciation | (1,679) | (40) | (27) | (1,746) |
| At 31 December 2019 | 15,825 | 112 | 37 | 15,974 |

15. Investments in subsidiaries

| | Cost £000 | Impairment provisions £000 | Net book value £'000 |
|--|--------------|----------------------------------|----------------------------|
| Balance at 1 January 2019 and 31 December 2019 | <u>9,704</u> | <u>9,686</u> | <u>18</u> |

The company had the following investments in subsidiaries at the end of the year:

| | Country of incorporation | Class of shares held | Ownership | |
|----------------------------|-----------------------------|-------------------------|-----------|------|
| | | | 2019 | 2018 |
| Ipsen Pty Ltd | Australia | Ordinary | 100% | 100% |
| Pothold Limited (dormant) | UK | Ordinary | 100% | 100% |
| Specwood Limited (dormant) | UK | Ordinary | 100% | 100% |

16. Stock

| | 2019 £000 | 2018 Restated £'000 |
|-------------------------------|---------------|---------------------------|
| Raw materials and consumables | 7,645 | 6,173 |
| Work in progress | 10,463 | 9,582 |
| Finished goods | 157 | 671 |
| | <u>18,265</u> | <u>16,426</u> |

In the opinion of the directors, the replacement cost of stocks is not materially different from that shown above.

The 2018 numbers have been restated to move Prepaid consumables from Prepayments and accrued income to Raw materials and consumables for £1,096,000.

Ipsen Biopharm Limited

Notes to the financial statements

Year ended 31 December 2019

17. Debtors

| | 2019 | 2018 |
|------------------------------------|----------------|------------------|
| | £000 | Restated £000 |
| Trade debtors | 31,763 | 28,320 |
| Amounts owed by group undertakings | 98,290 | 144,259 |
| Other debtors | 6,626 | 5,849 |
| Prepayments and accrued income | 2,665 | 4,707 |
| Corporation tax | 861 | 50 |
| | <u>140,205</u> | <u>183,185</u> |

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Included in trade receivables are material unpaid and overdue invoices disputed by a buyer where the outcome is uncertain. Ipsen Biopharm Limited is the claimant in the dispute and is currently in negotiation with the defendant to resolve the matter amicably. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Included within amounts owed by group undertakings are loans of £77,230,000 (2018: £104,331,000) which are perpetual and repayable on demand. The interest rate on lending to UK group undertakings is set at 1 January each year at the current UK base rate plus 1%. In 2019 interest was charged at the rate of 1.75% (2018: 1.5%). The interest rate on loans to overseas companies is based on the LIBOR three-month rate. In 2019 the average rate of interest charged was 0.59% (2018: 0.52%).

All of the company's trade and other debtors have been reviewed for indicators of impairment and loans due from group undertakings are shown net of impairment losses of £7,265,000 (2018: £7,265,000).

The 2018 numbers have been restated to move Prepaid consumables from Prepayments and accrued income to Raw materials and consumables for £1,096,000.

18. Creditors: Amounts falling due within one year

| | 2019 | 2018 |
|------------------------------------|----------------|----------------|
| | £000 | £000 |
| Bank overdraft | 7 | 15 |
| Trade creditors | 16,258 | 13,582 |
| Amounts owed to group undertakings | 70,062 | 64,580 |
| Corporation tax | 6,082 | 4,894 |
| Tax and social security | 9,403 | 8,916 |
| Other creditors | 68 | - |
| Lease Liabilities | 1,627 | - |
| Accruals and deferred income | 18,551 | 27,917 |
| | <u>122,058</u> | <u>119,904</u> |

Accruals and deferred income includes £5,369,000 (2018: £12,438,000) in respect of the current element of milestone income received in prior years under agreements that granted rights to develop, distribute and commercialise a pharmaceutical product for aesthetic use in the United States, Canada, Japan, Europe and certain other territories.

Ipsen Biopharm Limited

Notes to the financial statements

Year ended 31 December 2019

19. Creditors: Amounts falling due after more than one year

| | 2019 £000 | 2018 £000 |
|------------------------------|---------------|---------------|
| Accruals and deferred income | 57,809 | 60,063 |
| Lease Liabilities | 17,405 | - |
| | <u>75,214</u> | <u>60,603</u> |

The accruals and deferred income balance relates to milestone income received in prior years under agreements that granted rights to develop, distribute and commercialise a pharmaceutical product for aesthetic use in the United States, Canada, Japan, Europe and certain other territories.

20. Deferred taxation

The deferred tax included in the balance sheet is as follows:

| | 2019 £000 | 2018 £000 |
|------------------------|---------------|---------------|
| Deferred tax liability | <u>15,103</u> | <u>13,708</u> |

Deferred tax relates to the following:

| | 2019 £000 | 2018 £000 |
|-----------------------------------|---------------|---------------|
| Fixed assets | 15,574 | 14,550 |
| Deferred income | - | (546) |
| Defined benefit pension liability | (387) | (164) |
| Deferred expenses | (84) | (132) |
| | <u>15,103</u> | <u>13,708</u> |

The movement in the deferred taxation account during the year was:

| | 2019 £000 | 2018 £000 |
|--|---------------|---------------|
| Balance brought forward | 13,708 | 11,026 |
| Tax expense recognised in the income statement | 1,678 | 2,402 |
| Tax expense recognised in other comprehensive income | (283) | 280 |
| Balance carried forward | <u>15,103</u> | <u>13,708</u> |

The amount charged to the income statement during the year was analysed as follows:

| | 2019 £000 | 2018 £000 |
|-----------------------------------|--------------|--------------|
| Fixed assets | 1,024 | 1,734 |
| Deferred income | 546 | 729 |
| Defined benefit pension liability | 60 | 63 |
| Deferred expenses | 48 | (123) |
| | <u>1,678</u> | <u>2,403</u> |

Ipsen Biopharm Limited

Notes to the financial statements

Year ended 31 December 2019

21. Defined benefit pension liability

The Company sponsors the Ipsen Biopharm Limited (2012) Retirement Benefit Scheme, which is a final salary defined benefit arrangement. The scheme is governed by the Pension Acts and regulated by The Pension Regulator. The scheme was contracted-out of the earnings-related part of the state scheme under the Pensions Act 1993. For periods of scheme membership prior to 6 April 1997 the scheme must provide a

minimum level of pension, known as a Guaranteed Minimum Pension, for all members who are subject to Class 1 National Insurance Contributions. The scheme was closed to the future accrual of benefits with effect from 31 August 2016.

The assets of the scheme are held separately from those of the Company and are administered and invested by an independent company. The scheme was set up under irrevocable Trusts and the principal objective is to achieve long-term growth in income and capital to enable, as far as possible, the protection of present and future pensions.

The Trustees of the scheme comprise representatives from both the Company and the members of the scheme, and an independent trustee. The Trustees ensure that the scheme is governed in accordance with the Trust Documents & Rules.

The Trustees have adopted an investment strategy which is intended to ensure that, as far as possible, the scheme has sufficient assets to provide benefits as and when they fall due. Investments are spread across the available range, both by type of investment (equities, bonds etc.) and geographically, to reduce the risk of a sharp fall in one particular market having a substantial impact on the whole fund. This strategy is based on the fundamental assumption that over the long-term equities will outperform gilts although in the short term the performance of equities may be more volatile than the performance of bonds which could in turn lead to unwelcome volatility in the Company's contribution rate.

The last full actuarial valuation of the scheme was carried out by a qualified independent actuary as at 1 June 2017 when it was assumed that investment returns would be 4.1% per annum and salary increases would average Nil% per annum (2017 – 4.1%) as the scheme was closed. The estimated market value of the fund at this date was £13,313,000. This valuation has been updated on an approximate basis to 31 December 2019 for the financial statements. The Scheme was closed to further accrual during 2016 and the financial impact is included in the year end values.

The amount recognised in the balance sheet is determined as follows:

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Present value of funded defined benefit obligations | 17,259 | 14,574 |
| Fair value of plan assets | (14,981) | (13,485) |
| Recognised liability for defined benefit obligations and total employee benefits | <u>2,278</u> | <u>1,089</u> |

Movements in present value of defined benefit obligations

| | 2019 £000 | 2018 £000 |
|---------------------------------|---------------|---------------|
| At 1 January | 14,574 | 16,207 |
| Past service curtailment (gain) | - | 44 |
| Interest cost | 407 | 393 |
| Payments from plan assets | (621) | (184) |
| Actuarial (loss)/gain | 2,899 | (1,886) |
| At 31 December | <u>17,259</u> | <u>14,574</u> |

Ipsen Biopharm Limited

Notes to the financial statements

Year ended 31 December 2019

21. Defined benefit pension liability (continued)

Movements in fair value of plan assets

| | 2019 £000 | 2018 £000 |
|---------------------------|---------------|---------------|
| At 1 January | 13,485 | 13,090 |
| Contributions by employer | 500 | 500 |
| Return on plan assets | 384 | 321 |
| Payments from plan assets | (621) | (184) |
| Actuarial gain | 1,233 | (242) |
| At 31 December | <u>14,981</u> | <u>13,485</u> |

Amounts recognised in the income statement in respect of the defined benefit schemes are as follows:

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Net interest cost | 407 | 72 |
| Expected return on assets | (384) | |
| Past Service Cost (Amendment/Curtailment) | - | 44 |
| Total | <u>23</u> | <u>116</u> |

Recognised in other comprehensive income:

| | | |
|---|----------------|--------------|
| Re-measurement of gains (losses) on defined benefit pension plans | <u>(1,655)</u> | <u>1,645</u> |
|---|----------------|--------------|

Plan assets and rates of return

The fair value of the plan assets and the return on those assets were as follows:

| | 2019 £000 | 2018 £000 |
|------------------------------|---------------|---------------|
| Equities | 9,168 | 8,253 |
| Corporate bonds | 5,588 | 5,044 |
| Cash | 225 | 188 |
| Total | <u>14,981</u> | <u>13,485</u> |
| Actual return on plan assets | <u>1,617</u> | <u>321</u> |

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Ipsen Biopharm Limited

Notes to the financial statements

Year ended 31 December 2019

21. Defined benefit pension liability (continued)

Principal actuarial assumptions (expressed as weighted averages):

| | 2019 % | 2018 % |
|--|-----------|-----------|
| Discount rate | 1.81 | 2.81 |
| Expected rate of return on plan assets | 1.81 | 2.81 |
| Future salary increases | n/a | n/a |
| Other material assumptions (e.g. mortality rates, future pension increases, inflation) | 2.25 | 2.20 |

In addition to the financial assumptions, the Company regularly reviews the mortality assumptions. The mortality assumption uses the same tables as the latest funding valuation of the scheme at 1 June 2014. They led to a further life expectancy for a male currently aged 65 of 22 years and for a female currently aged 65 of 24 years.

Sensitivity analysis

The actuarial assumptions reflect long-term expectations and variations from the assumptions will affect the valuation results in different ways. The valuation results are particularly sensitive to the financial assumptions. However, it is important to remember that the financial assumptions are related to each other and should not be considered in isolation. The differences between investment returns and each of salary growth, pension increases in payment and in deferment are more important than the absolute value of each individual assumption.

The results are also sensitive to the mortality assumption. Future longevity, and in particular its rate of improvement, is now a major risk factor in the ability of pension schemes to deliver the promised benefits. Substantial increases in longevity have been observed in recent years and it remains possible that these will continue to occur in the future.

The table below illustrates the approximate impact of changing certain key assumptions in isolation, with all other assumptions remaining unchanged. The results on the Funding Valuation assumptions adopted by the Trustees are also shown for comparative purposes.

| Assumption | Change | Past service liabilities £000 | Total future contribution service rate % |
|---------------------------------|--|----------------------------------|---|
| Funding Valuation basis | - | 10,378 | 22.8% |
| Discount rate before retirement | +0.5% p.a. -0.5% p.a. | 9,808 10,988 | 22.0% 23.7% |
| Discount rate after retirement | +0.5% p.a. -0.5% p.a. | 9,798 11,018 | 21.5% 24.2% |
| Mortality after retirement | Life expectancy 1 year less Life expectancy 1 year more | 10,128 10,628 | 22.3% 23.3% |
| Cash commutation | 100% of members commute 25% of pension at £20 per £1 p.a. of pension | 10,410 | 22.8% |

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Year ended 31 December 2019

21. Defined benefit pension liability (continued)

History of plan

The history of the plan for the current and prior periods is as follows:

| | 2019 £000 | 2018 £000 | 2017 £000 | 2016 £000 | 2015 £000 |
|--|----------------|--------------|--------------|----------------|--------------|
| Present value of defined benefit obligations | 17,259 | 14,574 | 16,207 | 15,912 | 13,280 |
| Present value of plan assets | (14,981) | (13,485) | (13,090) | (12,372) | (10,393) |
| Deficit | <u>2,278</u> | <u>1,089</u> | <u>3,117</u> | <u>3,540</u> | <u>2,887</u> |
| Experience adjustments loss/(gain) | | | | | |
| On plan liabilities | 2,899 | (1,886) | 27 | 4,035 | (1,625) |
| On plan assets | <u>(1,233)</u> | <u>242</u> | <u>(542)</u> | <u>(1,141)</u> | <u>(60)</u> |

The scheme was closed to further accrual on 31st August 2016 and no contributions are due from the Company to its defined benefit plan in the next financial year. The Company has committed to pay into the scheme £610,000 in 2021.

22. Employee share schemes

Some of the Company's employees are granted bonus shares by Ipsen SA.

Bonus shares

Bonus shares are generally issued annually and comprise 2 categories; performance plans, which are contingent upon the Ipsen SA Group's achievement of certain performance condition, and non-performance, which have no performance conditions. These awards have vesting periods of between 2 and 4 years.

Details of the Ipsen SA share bonus shares applicable to the Company's employees are shown below:

| Ipsen SA Ordinary shares | Bonus shares No.000 |
|-----------------------------|---------------------------|
| At 1 January 2019 | 74 |
| Awarded | 29 |
| Exercised/issued | (20) |
| Lapsed/cancelled | (14) |
| At 31 December 2019 | <u>69</u> |

During 2018 the Ipsen SA group launched an Employee Share Purchase Plan to enable employees to acquire shares in Ipsen SA at a discount. The cost of the Company's contribution to this scheme of £nil (2018: £117,000) is included in Other costs.

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Notes to the financial statements

Year ended 31 December 2019

23. Commitments under operating leases

The Company principally leases various offices and industrial premises under non-cancellable operating leases. The lease terms expire between 1 and 20 years and the majority of the lease agreements are renewable at the end of the lease period at market rate. Lease payments are reviewed at specific points within the remaining lease periods and additional rent payments may be due if the current market rate at the date of review exceeds the contracted rate.

From 1 January 2019, the company has recognised right-of-use assets for these leases, except for short-term and low value leases, see notes 14, 18 and 19 for further information.

Future non-cancellable operating lease rentals are currently payable as follows:

| | 2019 | | 2018 | |
|--------------------------------|-------------------------------|------------------------|-------------------------------|------------------------|
| | Land and buildings £000 | Other Items £000 | Land and buildings £000 | Other Items £000 |
| Operating leases which expire: | | | | |
| Within 1 year | - | - | 1,935 | - |
| Within 2 to 5 years | - | - | 8,726 | - |
| After more than 5 years | - | - | 12,906 | - |
| | <u>-</u> | <u>-</u> | <u>23,567</u> | <u>-</u> |

24. Contingent liabilities

The Company has entered into a cash pooling arrangement with Ipsen Pharma SAS, another Ipsen SA group company, under the terms of which it is jointly and severally liable for any exposure on the facility. No liability is expected to arise.

The Company provided a guarantee on behalf of its immediate parent company, Ipsen Developments Limited to third parties on the acquisition of a subsidiary. No liability is expected to arise.

As at 31 December 2019 there were no other contingent assets or liabilities that required disclosure in the Company's financial statements (2018: *Nil*).

25. Share capital

Authorised share capital:

A written resolution was passed in 2017 to remove the limit on the authorised share capital.

Allotted, called up and fully paid:

| | 2019 | | 2018 | |
|----------------------------|----------------|----------------|----------------|----------------|
| | No | £000 | No | £000 |
| Ordinary shares of £1 each | <u>308,019</u> | <u>308,019</u> | <u>308,019</u> | <u>308,019</u> |

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

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26. Reserves

| | Share premium £000 | Retained earnings £000 |
|-------------------------------|-----------------------------------|---------------------------------------|
| Balance brought forward | 10,109 | 116,039 |
| Cancellation of share premium | (10,109) | 10,109 |
| Dividend | - | (123,109) |
| Profit for the financial year | - | 74,744 |
| Balance carried forward | <u>-</u> | <u>77,783</u> |

27. Accounting estimates and judgements

The preparation of Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

All accounting estimates used in preparing the financial statements are consistent with internal budgets and forecasts. Judgements are based on information available at each balance sheet date. Although these estimates are based on the best information available to management, actual results may ultimately differ from the estimates.

Turnover

Turnover from the sales of goods is reduced by estimates for future rebates. These reductions are dependent upon the submission of claims that may be some time after the initial recognition of the sale. Accruals are made at the time of sale for the estimated rebate based on available information and management judgement and are reviewed regularly.

Royalties

The Company receives and pays royalties under distribution agreements with third parties. Due to the time delay in obtaining the underlying data royalty accruals are estimated based on available information and management judgement.

Research and development

Management have reviewed the Company's research and development activities and have made estimates and judgements on the amount of development expenditure it is appropriate to capitalise.

Intangible assets

The value of intangible assets comprises the price paid for software and licence fees as well as estimates of future cash flows, incorporating an appropriate discount rate, for acquired future development commitments. These estimates are based on management's internal forecasts, including evaluation and validation by experts in the field, and reflect best assessments of the costs involved to satisfy the commitments.

Impairment

Management have conducted an impairment review of intangible assets and had to make judgements as to the likelihood of them generating future cash flow, over what period those cash flows will be received and what costs are attributable against them.

Stock

Management have reviewed the value of internally generated stock and made estimates and judgements on the carrying value and the amount of the provision required to be recognised in the financial statements.

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27. Accounting estimates and judgements *(continued)*

Defined benefit pension scheme

Management have made assumptions in relation to the valuation of the defined benefit scheme liability, in particular in relation to longevity assumptions, the application of a discount rate of 1.81% (2018: 2.81%), expected rates of returns on plan assets and future salary increases.

Taxation

The Company estimates tax liabilities for undetermined years. Any differences arising between the final tax liability and the amounts recorded in the financial statements will impact on the tax charge in the year in which the determination is made.

28. Ultimate parent company

The Company's immediate parent company and controlling party is Ipsen Developments Limited. The Company's ultimate parent company and controlling party is Ipsen SA which is incorporated in France.

Ipsen SA heads the smallest group in which the results of the Company are consolidated. The consolidated financial statements of Ipsen SA are available to the public and may be obtained from 65 Quai Georges Gorse, 92100 Boulogne-Billancourt, France.

29. Subsequent events

The directors have considered the current and expected impact of COVID-19 on the company and do not consider that it will have a material impact, due to the specialist nature of the product and the pharmaceutical industry being inelastic to demand.

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