ASCENSION HEALTHCARE DEVELOPMENT LIMITED

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

CORPORATE INFORMATION

Directors

Richard Wolf-Garraway
Biresh Roy (appointed on 01 June 2018)
Michael Dawson (resigned on 01 May 2018)
Michael Earl (resigned on 01 June 2018)

Company secretary

Throgmorton Secretaries LLP

Registered Office and Number

4th Floor, Reading Bridge House
George Street
Reading
Berkshire RG1 8LS

Company Registration Number: 08217622

Independent Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

CONTENTS

The directors present their report for the year ended 31 December 2018.

Change of name

The Company changed its name from Cantab Anti-Infectives Limited to Ascension Healthcare Development Limited on 16 January 2019.

Directors of the company

The directors who served during the year and up until the date of this report are shown on page 2.

Result

The loss after tax of the company for 2018 was £9,638 (2017: profit £136,760)

Dividends

The directors do not recommend any dividend for the year (2017: £ nil).

Research and development

On 5 November 2017 the company closed its research and development facilities and has suspended activities relating to anti-infective products.

Future developments

The company has ceased operations and is currently non-trading. The directors of the company are reviewing its future.

Going Concern

The company is currently loss making and as such is dependent on the support of its ultimate parent company, Ascension Healthcare plc. The directors and management take the view that the company, with support from its parent and its key shareholders and lenders, would have adequate resources to continue in operational existence for at least 12 months after the date of approval of these financial statements, and continue to adopt the going concern basis of accounting in preparing the financial statements, details of which are set out in note 1 to the financial statements.

Directors' liabilities

The company has granted an indemnity to each of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying indemnity provision remains in force as at the date of approving the Directors' report.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor is Grant Thornton UK LLP.

Small companies exemptions

In preparing this report the directors have taken advantage of the small companies exemptions provided by sections 414B and 415A of the Companies Act 2006.

On behalf of the board of directors

Biresh Roy
Director
3 May 2018

Directors' responsibilities statement

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UKGAAP), including FRS101 'Reduced Disclosure Framework' and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that:

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

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASCENSION HEALTHCARE DEVELOPMENT LIMITED

Opinion

We have audited the financial statements of Ascension Healthcare Development Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the company incurred a loss of £9,638 for the year to 31 December 2018 and is dependent on the support from its parent, which in turn is dependent on completing Part 2 of an internal funding round for £3.3m in 2019, and refinancing repayment of a loan to the group's largest shareholder due in March 2020. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the financial 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 this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASCENSION HEALTHCARE DEVELOPMENT LIMITED

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors for the financial statements

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

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

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.

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.

Perry Burton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
3 May 2019

ASCENSION HEALTHCARE DEVELOPMENT LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 Dec 2018 £	Year ended 31 Dec 2017 £
Revenues		-	437,905
Other income		2,400	679,933
Total revenue and other income	2	2,400	1,117,838
Research and development costs		-	(931,110)
Gross profit		2,400	186,728
General and administrative costs		(9,206)	(89,941)
Depreciation and amortisation	7	-	(1,458)
Total expenses		(9,206)	(91,399)
Operating (loss)/profit		(6,806)	95,328
Finance income	5	-	9,571
Finance costs	5	(2,832)	(17,675)
(Loss)/profit before income tax		(9,638)	87,225
Income tax credit	6	-	49,535
Loss for the financial year		(9,638)	136,760

	Year ended 31 Dec 2018 £	Year ended 31 Dec 2017 £
(Loss)/profit for the financial year	(9,638)	136,760
Total comprehensive (loss)/income for the year	(9,638)	136,760

All revenue and profit for the financial year arose from discontinued activities.

The notes on pages 12 to 22 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Current assets			
Trade and other receivables	8	389	18,621
Corporate tax		80,209	160,356
Cash and cash equivalents		111,378	81,092
Total current assets		191,976	260,069
Total assets		191,976	260,069
Current liabilities			
Trade and other payables	9	17,047	75,503
		17,047	75,503
Total liabilities		17,047	75,503
Equity attributable to owners of the parent			
Share capital	10	100	100
Retained earnings		174,829	184,467
Total equity		174,929	184,567
Total equity and liabilities		191,976	260,069

The financial statements of Ascension Healthcare Development Limited (registration number 08217622) on pages 9 to 22 were authorised for issue by the board of directors on 3 May 2019 and were signed on its behalf.

Biresh Roy
Director

Richard Wolf-Garraway
Director

The notes on pages 12 to 22 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Profit and loss reserve	Total equity
	£	£	£
Balance at 1 January 2017	100	47,707	47,807
Total comprehensive income for the year	-	136,760	136,760
Balance at 31 December 2017	100	184,467	184,567
Balance at 1 January 2018	100	184,467	184,567
Total comprehensive loss for the year	-	(9,638)	(9,638)
Balance at 31 December 2018	100	174,829	174,929

Profit and loss reserve is accumulated profits and losses for each financial year.

The notes on pages 12 to 22 are an integral part of these financial statements.

INTRODUCTION

Ascension Healthcare Development Limited (the "company") was principally engaged in the business of research and development of antibiotics for bacterial infection. The company is a limited liability company incorporated on 17 September 2012 and is domiciled in the United Kingdom.

1. Going concern

The company is currently loss making and as such is dependent on the support of its ultimate parent company, Ascension Healthcare plc.

On 13 December 2018, under the terms of a Supplemental Loan Agreement with the group's largest shareholder, being supplemental to the main Loan Agreement, the group successfully completed a loan financing of £2.9m, being part 1 of a total internal funding round of circa £6.2m. Part 2, being the balance, is anticipated to complete in Q2 2019. The directors are confident that with the group's business plan, cash generated from Flexiseq sales and this further financing, the group will have a cash reach to at least the end of Q1 2020 to continue its Flexiseq business and carry out its Haemophilia A programme. Additionally, the discretionary nature of the spend associated with the Haemophilia A activities means that management retain the ability to regulate cash burn to further extend cash reach.

In addition, the group has in place a Loan Agreement and a Supplemental Loan agreement, both of which mature on 23 March 2020. Discussions are in progress with the group's largest shareholder to restructure these in order to facilitate repayment from the proceeds of a partial or entire exit. Management are confident that such discussions will be successful in deferring repayment with that objective.

The company recorded a loss of £9,368 for the year to 31 December 2018 and is dependent on the support from its parent. Therefore, the directors and management take the view that the company, with support from its parent would have adequate resources to continue in operational existence for at least 12 months after the date of approval of these financial statements and continue to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements do not include the adjustments that would be required if the company were unable to continue as a going concern. However, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern

ANALYSIS OF FIGURES IN THE FINANCIAL STATEMENTS

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

- accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction;

- analysis and sub-totals, including segment information; and

- information about estimates and judgements made in relation to particular items.

2. Revenues

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
	£	£
Sales	-	437,905
Other Income		
TSB research grant	2,400	93,850
NIAID grant	-	586,084
	2,400	679,933
Total Revenue	2,400	1,117,838

Revenues of £2,400 (2017: £ 1.1 *million) are derived from a combination of research grants and research* and development services provided to third parties and to affiliated companies within the Ascension Healthcare group.

3. General and administrative costs

General and administrative costs include an amount accrued of £5,000 for auditor's remuneration for the 2018 audit of the company (2017 - £5,000).

4. Employee benefits

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
	£	£
Wages and salaries	-	409,872
Social security costs	-	76,929
	-	486,801

The average number of personnel employed during the financial year was 0 (as at 31 December 2017: 8).

Remuneration paid by Ascension Healthcare Development Limited to directors of the company is set out below. Directors who are also directors of the ultimate parent company Ascension Healthcare PLC did receive remuneration and that is presented at group level and in the accounts of the company that made the payments.

Directors remuneration

	2018	2017
	£	£
Aggregate remuneration	-	177,479
	-	177,479

5. Finance income and costs

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
	£	£
Other finance/bank charge	-	9,571
Foreign exchange gain	-	-
Finance income	-	9,571
Foreign exchange loss	(365)	(17,675)
Other finance/bank charges	(2,467)	-
Finance costs	(2,832)	(17,675)
Net finance (costs)	(2,832)	(8,104)

6. Income tax expense

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
	£	£
Current tax		
R&D Tax Credit 2017	-	(80,209)
R&D tax credit adjustment in respect of prior year	-	30,674
Total current tax	-	(49,535)
Deferred tax (credit)	-	-
Income tax (credit)	-	(49,535)

The company has estimated losses of £ 185,190 (2017 - £183,359) available for carry forward against future trading profits.

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
	£	£
Reconciliation of tax expense		
(Loss)/profit before tax	(9,638)	136,760
Tax calculated at standard rate of UK corporation tax of 19% (2018: 19%)	(1,831)	25,984
Tax effects of:		
R&D tax credit	-	(49,535)
Unrelieved tax losses (utilised)/carried forward	1,831	(25,984)
Tax credit	-	(49,535)

7. **Property, plant and equipment**

	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£
Year ended 31 December 2017			
Opening net book amount	-	1,458	1,458
Depreciation charge	-	(1,458)	(1,458)
Closing net book amount	-	-	-
At 31 December 2017			
Cost or valuation	1,650	56,247	57,897
Accumulated depreciation	(1,650)	(56,247)	(57,897)
Net book amount	-	-	-
Year ended 31 December 2018			
Opening net book amount	-	-	-
Depreciation charge	-	-	-
Closing net book amount	-	-	-
At 31 December 2018			
Cost or valuation	1,650	56,247	57,897
Accumulated depreciation and impairment	(1,650)	(56,247)	(57,897)
Net book amount	-	-	-

8. Trade and other receivables

	2018	2017
	£	£
Trade receivables	-	6,600
Other Receivables	100	100
Social security and other taxes	289	11,921
	389	18,621

9. Trade and other payables

	2018	2017
	£	£
Trade payables	198	7,217
Accrued expenses and other payables	16,849	68,286
	17,047	75,503

10. Share capital

	Number of ordinary shares	Share capital	Total
		£	£
Ordinary shares of £1 each at 31 December 2016, 2017, and 2018	100	100	100

11. Critical accounting judgements and estimates

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

11.1 Critical judgements in applying the entities' accounting polices

The financial statements have been prepared on a going concern basis as stated in note 1.

11.2 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not yet satisfy the recognition criteria.

12. Commitments

a) Capital commitments

At 31 December 2018 the company had no outstanding capital commitments.

b) Operating lease commitments

Rental and operating lease payments were £Nil for the year ended 31 December 2018 (2017 £106,729).

At the Statement of Financial Position date, the company had no outstanding commitments under non-cancellable operating leases.

13. Contingent Liabilities

As at 31 December 2018 the company had no material contingent liabilities (2017: £ nil)

14. Events after the reporting period

After the reporting date there were no events to report.

OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

15. Related party transactions

During the year the company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

The following transactions were carried out with parties related to Ascension Healthcare PLC and its subsidiaries.

	Sales to related party	Amounts owed by related party	amounts owed to related party
	£	£	£
2017	1,932	-	-
2018	-	-	-
	1,932	-	-

16. Ultimate Group undertaking

The Company's immediate parent is PBB (Malta) Ltd and the ultimate parent undertaking is Ascension Healthcare PLC. The company is included within the consolidated accounts of its ultimate parent which are publicly available. Copies of the consolidated financial statements of Ascension Healthcare PLC are available at 4th Floor Reading Bridge House, George Street, Reading RG1 8LS.

17. Summary of significant accounting policies

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

17.1 Basis of preparation of the financial statements

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

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 11.

The comparatives relate to the year ending on 31 December 2017. All amounts are in sterling unless stated otherwise.

The company's financial statements are included in the Ascension Healthcare PLC consolidated financial statements for the year ended 31 December 2018. The company is exempt, under Section 400 of the Companies Act 2006, from the preparation of consolidated financial statements because it is included in the Annual Report and Financial of its ultimate parent. These financial statements are separate financial statements.

Adoption of new and revised standards

IFRS 9, 'Financial instruments', and IFRS 15, 'Revenue from contracts with customers', are new accounting standards that are effective for the year ended 31 December 2018 and have had no material impact on the Company's financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments': Disclosures other than disclosures required for recording financial instruments at fair value.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows);

  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the company. These are summarised below:

- IFRS 16 Leases: IFRS 16 specifies how companies will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019. This standard is expected to have no material impact on the company's financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. As these amendments merely clarify the existing requirements, they do not affect the company's accounting policies or any of the disclosures.

17.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using £ sterling.

(b) Transactions and balances

Foreign currency transactions are translated into £ sterling using the exchange rates prevailing at the dates of the transactions or dates of valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies.

17.3 Property, plant and equipment

Plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated so as to write off their costs, less estimated residual values, over their useful economic lives, as follows:

Fixtures, fittings and equipment - 3 to 5 years, straight-line basis

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Depreciation commences when assets are ready for use.

17.4 Trade and other receivables

Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised and carried at fair value.

Receivables from related parties are recognised and carried at cost less an allowance for any non- collectable amounts.

17.5 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

17.6 Share capital

Ordinary shares are classified as equity. Ordinary share capital is recognised at the nominal value of the consideration received. Any difference between the fair value of the consideration received and the nominal value of the issued shares is recognised as share premium, after deducting related financing costs.

17.7 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

17.8 Current and deferred income tax

The tax expense for the period 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 this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

17.9 Employee benefits

(a) Profit sharing and bonus plans

The company recognises a liability and an expense for bonuses. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits at the earlier of the following dates: (a) when the company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

17.10 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for good and services supplied in the normal course of business, net of discounts, VAT and other sales related taxes. The company recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

No element of financing is deemed present as the sales are made with credit terms of up to 90 days, which is consistent with the market practice.

Grant revenue is recognised when the contractual conditions for milestone entitlement to such revenue have been met.

17.11 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are . classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

17.12 Research and development costs

Research and development cost are written off to the profit and loss account in the year in which they are incurred.

17.13 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (primarily currency risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

a) Foreign currency risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from recognised assets and liabilities.

The company does not enter into derivative financial instruments to hedge its foreign currency risk.

b) Credit risk

Credit risk is managed at group level, including credit risk relating to accounts receivable balances. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to outstanding receivables and committed transactions.

For banks and financial institutions, normally the company seeks to deal only with independently rated parties. Typically the company's customers are not independently rated. Where there is no independent rating, the central finance function assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored by the central finance function.

c) Liquidity risk

The company's liquidity risk relates mainly to its continuing need to raise sufficient funding to support its operations and finance its corporate expenses.

The maturity of financial assets and liabilities are discussed in the specific asset and liability footnotes.