REGISTERED NUMBER: 02148607 (England and Wales)

INNOVATA LIMITED

02148607

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS:	J Ward-Lilley J Murphy
COMPANY SECRETARY:	J Murphy
REGISTERED OFFICE:	One Prospect West Chippenham Wiltshire SN14 6FH United Kingdom
REGISTERED NUMBER:	02148607 (England and Wales)
AUDITOR:	KPMG LLP 15 Canada Square London E14 5GL
PRINCIPAL BANKERS:	Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5HP United Kingdom

The Directors present their report on the affairs of the Company, together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the Company for the period was the commercialisation of pharmaceutical products, however the Company transitioned to an investment holding company following the expiry of its final patent on 13 May 2019.

Innovata Limited (the "Company") is a wholly-owned subsidiary of Vectura Group plc ("Vectura" or the "Group") which is the smallest and largest entity to consolidate the Company's results. The Company's immediate parent undertaking is Vectura Group Investments Limited.

GOING CONCERN

Following the transition to an investment holding company, the Company's financing requirements are solely to support the activities of its investments. On this basis, and on the basis of current financial projections, and after making due enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

DIVIDENDS

No dividends were paid in 2018. In the comparative period, the Company waived the right to a £138.0m intra-Group receivable from Vectura Limited, as well as all past, present and future claims related to this receivable. The waiver was made in the form of a dividend in specie to the Company's immediate parent entity Vectura Group Investments Limited. As a result the intercompany receivable of £138.0m was de-recognised.

CAPITAL CONTRIBUTION

In May 2018, a capital contribution was received from the Company's ultimate parent Vectura Group plc of £22.0m (having been passed through at nil gain or loss to the Company from its immediate parent undertaking Vectura Group Investments Limited).

The Company subsequently subscribed for new share capital of £1 in the its immediate subsidiary undertaking, Innovata Biomed Limited, at a subscription price of £21,999,999, which was credited as fully paid with the shares ranking pari pasu to existing ordinary shares held by the Company.

Innovata Biomed Limited then used this capital as partial repayment of an intercompany debt owed to Vectura Limited *repayable on demand* of £22,431,000.

DIRECTORS

The Directors who held office during the year were J Ward-Lilley (appointed 31 July 2018); J Murphy; and A Derodra; (resigned 31 July 2018).

The ultimate parent company has granted an indemnity to its Directors against liability in respect of any proceedings brought by third parties, which remains in force as at the date of approving the Directors' Report.

POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations were made (2017: nil).

INFORMATION PROVIDED TO THE AUDITOR

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

POST BALANCE SHEET EVENTS

During the year, the Company had one legacy revenue-contributing non-inhaled asset, Adept®, which was partnered with Baxter and contributed royalty revenues of £0.5m (2017: £0.9m). This patent expired on 13 May 2019.

The Director's Report has been approved and signed on behalf of the Board by:

....
James Ward-Lilley
Director
30 May 2019

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 these 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Opinion

We have audited the financial statements of Innovata Limited ("the company") for the year ended 31 December 2018 which comprise the income statement, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 3.

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 profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Adrian Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom

31 May 2019

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Revenue		**0.5**	2.3
Net other income		**-**	0.9
OPERATING PROFIT	4	**0.5**	3.2
Cash on disposal of subsidiary undertakings		**-**	15.3
RESULT BEFORE TAX		**0.5**	18.5
Taxation		—	—
RESULT AFTER TAX		**0.5**	18.5

All results are derived from continuing operations and are attributable to the parent. As there is no difference between the results presented above and total comprehensive income, a separate statement of other comprehensive income is not presented.

BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	31 December 2018 £m	31 December 2017 £m
ASSETS			
CURRENT ASSETS			
Trade and other receivables	9		
Intercompany		**5.2**	5.1
External		**0.4**	0.3
Cash and cash equivalents		**0.2**	0.2
		5.8	5.6
TOTAL ASSETS		**5.8**	5.6
LIABILITIES			
CURRENT LIABILITIES			
Intercompany payables	10	**(2.6)**	(2.9)
TOTAL LIABILITIES		**(2.6)**	(2.9)
NET ASSETS		**3.2**	2.7
EQUITY			
Called up share capital		**1.0**	1.0
Retained earnings		**2.2**	1.7
TOTAL EQUITY		**3.2**	2.7

The financial statements of Innovata Limited, registered number 02148607, were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

....

James Ward-Lilley
Director
30 May 2019

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

	Share capital	Share premium	Special reserve	Merger reserve	Other reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
1 January 2017	5.0	73.3	4.0	16.0	1.9	22.0	**122.2**
Profit for the year	—	—	—	—	—	18.5	**18.5**
Share capital reduction (**A**)	(4.0)	(73.3)	—	—	—	77.3	—
Other reserves transfer (**B**)	—	—	(4.0)	—	(1.9)	5.9	—
Merger relief (**C**)	—	—	—	(16.0)	—	16.0	—
Dividend in specie (**D**)	—	—	—	—	—	(138.0)	**(138.0)**
31 December 2017	**1.0**	—	—	—	—	**1.7**	**2.7**
Profit for the year	—	—	—	—	—	0.5	**0.5**
Capital contribution from Parent	—	—	—	—	—	**22.0**	**22.0**
New share subscription in Innovata Biomed Limited	—	—	—	—	—	**(22.0)**	**(22.0)**
31 December 2018	**1.0**	—	—	—	—	**2.2**	**3.2**

In May 2018, a capital contribution was received from the Company's ultimate parent Vectura Group plc of £22.0m (having been passed through at nil gain or loss to the Company from its immediate parent undertaking Vectura Group Investments Limited).

The Company subsequently subscribed for new share capital of £1 in the Company's immediate subsidiary undertaking Innovata Biomed Limited at a subscription price of £21,999,999, which was credited as fully paid with the shares ranking pari pasu to existing ordinary shares held by the Company.

Comparative year equity movements A-D are explained in note 11.

1. General information

Innovata Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales and is a wholly-owned subsidiary of Vectura Group plc. The address of the registered office is One Prospect West, Chippenham Wiltshire, SN14 6FH. The nature of the Company's operations and its principal activities are set out in the Directors' report.

2. Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary, in order to comply with Companies Act 2006.

The following automatically available FRS 101 disclosure exemptions has been taken.

- A Cash Flow Statement and related notes
- Comparative period reconciliations for fixed assets
- Certain disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures of transactions with a management entity that provides key management personnel services; and
- An additional balance sheet for the beginning of the earliest comparative period following retrospective change in accounting policy, the correction of error, or the reclassification of items in the financial statements

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures

- Disclosure requirements of IFRS 15 Revenue from Contracts with Customers.
- IFRS 2 Share Based Payments in respect of Group settled share based payments;
- The disclosures required by IFRS 7 Financial Instrument Disclosures.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Going concern

Following the transition to an investment holding company, the Company's financing requirements are solely to support the activities of its investments. On this basis, and on the basis of current financial projections, and after making due enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

New Accounting Standards adopted in this period

The Company has applied IFRS 15 from 1 January 2018. A number of other new amendments are also effective from 1 January 2018 in relation to IFRS 2 Share-*based payments* and *IAS 28 Investments in associates,* but they do not have a material effect on the Company's financial statements. *IFRS 9 Financial Instruments,* which mandates adoption for 2018, was early adopted by the Company in the 2017 Annual Report.

The Company has applied IFRS 15 using the practical expedient to apply the new rules only to contracts that were not completed as at the start of 2018. As such, IFRS 15 has had no impact on the Company because all collaborative developments are near the end of their life and no new arrangements have been entered into by the Company in the previous ten years. Details about the transition to IFRS 15 and future material changes to accounting policies are provided in note 32 to the Group's Annual Report.

3. Significant accounting policies

Royalty and other marketed revenues

Where a licence of intellectual property is the predominant item to which a royalty relates, then revenues are recognised upon the occurrence of partner net sales. Other marketed revenues primarily include sales or usage-based milestones for which revenue is recognised consistently with royalties as stated above.

4. Operating profit

During the year, the Company had one legacy revenue-contributing asset, Adept®, which was partnered with Baxter and contributed royalty revenues of £0.5m (2017: £0.9m). This patent expired on 3 May 2019.

The Company has no employees (2017: nil). Aggregate Directors' emoluments for qualifying Group services of £1.8m (2017: £2.2m) were borne by another Group Company. Full details of Directors' remuneration are contained in the Group's consolidated financial statements, refer to note 35.

Fees payable to the Company's auditor services pursuant to these accounts were £7,500 (2017: £7,500). No other non-audit or other services were performed.

5. Dissolution dormant subsidiaries

On 18 December 2018, the following 8 dormant UK based subsidiaries were formally dissolved at UK Companies House pursuant to a solvent Members Voluntary Liquidation process. There was no financial impact on the Company. As such the following entities have been dissolved and are no longer subsidiaries of the Company.

(1) Quadrant Healthcare (UK) Limited (2) Andaris Group Limited (3) Quadrant Holdings Cambridge Limited (4) Microshot Limited (5) Quadrant Bioresource Limited (6) Andaris (DDS) Limited (7) Quadrant Trustee Limited and (8) Protosome Limited.

In the comparative period, the pre-liquidation distributions also meant the disposal of the investment held on the balance sheet, the investment value was offset against the gain, as follows:

	Year ended 31 December 2017 £m
Pre-liquidation dividend received in specie	**49.7**
Disposal of investments	**(34.4)**
Gain on Disposal recognised in the Income statement	**15.3**

6. Taxation

The Company is profit-making and the effective tax rate is zero (2017: nil). Tax charged at the UK standard rate of 19% (2017: 19.25%) was either group relieved by other UK group companies, or benefits from patent box deductions such that the tax charge is nil (2017: nil).

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Profit before tax	**0.5**	18.5
Profit before tax multiplied by standard rate of UK corporation tax of 19% (2017: 19.25%)	**0.1**	3.4
Effects of:		
Exempt income – substantial shareholding exemption	**—**	(2.9)
Group relief utilised	**(0.1)**	(0.4)
Other permanent differences	**—**	(0.1)
Total tax charge for the year	**—**	—

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce to 17% from 1 April 2020. The impact on the Company accounts is expected to be immaterial.

9. Trade and other receivables

	31 December 2018 **£m**	31 December 2017 £m
Amounts due from:		
Vectura Drug Delivery Devices Limited	**3.7**	3.6
Vectura GmbH	**—**	0.1
Vectura Limited	**1.5**	1.4
Intercompany receivables sub-total	**5.2**	5.1
External:		
Accrued income	**0.4**	0.3
Total Trade and other receivables	**5.6**	5.4

As all external receivables have been settled for cash, after the balance sheet date.

10. Trade and other payables

	31 December 2018 **£m**	31 December 2017 £m
Amounts owed to:		
Vectura Group plc	**2.3**	**2.6**
Quadrant Technologies Limited	**0.3**	**0.3**
Total Trade and other payables	**2.6**	**2.9**

11. Comparative equity movements

A: Share capital and share premium reduction

On 5 July 2017 the Director's performed a share capital reduction. A special resolution to reduce capital supported by a solvency statement became effective on 19 July 2017 upon registration of documents at Companies House.

Share capital of the Company was reduced from £5,032,421.93 divided into 503,242,193 ordinary shares of £0.01 each, to £1,000,000 divided into 100,000,000 ordinary shares, by cancelling and extinguishing 403,242,193 ordinary shares held under the name of Vectura Group Investments Limited. The amount was credited to the retained earnings of the Company.

Furthermore the share premium account of the Company was cancelled and the amount of the share premium account credited to the retained earnings of the Company.

B: Transfer of other reserves

Redundant and legacy share based payment reserves from 2007 and capital redemption reserves from an acquisition completed in 1999 were no longer considered to be relevant, separately identifiable reserves and the balance of these reserves was accordingly recycled to retained earnings.

C: Merger relief on impaired Quadrant Group Investments

During the year, investments held in subsidiary undertakings were fully impaired following receipt of a pre-liquidation dividend. These assets were originally acquired at fair value and merger relief credited to the merger reserve. The merger reserve is a profit and initially treated as unrealised, but is subsequently realised in a manner similar to a revaluation reserve, i.e. the merger reserve became realised owing to the impairment of the underlying investments.

D: Dividend in specie – distribution of amounts due from fellow Group Company Vectura Limited

During the year, the Company waived the right to a £138.0m intra-Group receivable from Vectura Limited, as well as all past, present and future claims related to this receivable.

The waiver was made in the form of a dividend in specie to the Company's immediate parent entity Vectura Group Investments Limited following the restructuring of reserves above, and the intercompany receivable with £138.0m was de-recognised in the Company's balance sheet. Vectura Group Investments Limited subsequently deemed a capital contribution to Vectura Limited which accordingly extinguished the corresponding intercompany payable residing in Vectura Limited.

12. Investments in subsidiary undertakings

Details of the Company's subsidiary and related undertakings are listed below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are indirectly held by the Company.

Name of undertaking	Country of incorporation	Holding	Address	Proportion held	Nature of Business
Innovata Biomed Limited	Scotland	Ordinary	B	100%	Dormant or Non-trading
Quadrant Drug Delivery Limited[1]	England	Ordinary	A	100%	Dormant or Non-trading
Innovata HK Limited[2]	Hong Kong	Ordinary	C	82.4%	Holding Company
Quadrant Technologies Limited	England	Ordinary	A	100%	Dormant
Quadrant Healthcare Limited[3]	England	Ordinary	A	100%	Dormant
QDose Limited[4]	England	Ordinary	A	50%	Dormant
Quadrant (USA), Inc.[4]	USA	Ordinary	A	100%	Dormant

[1]A subsidiary of Quadrant Technologies Limited. [2]An associate of Innovata Biomed Limited. [3]A subsidiary of Quadrant Drug Delivery Limited. [4]A subsidiary of Quadrant Healthcare Limited.

A- Consistent with the Company. B - 2ND Floor North, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN C - Unit 1802, 18/F., Asia Trading Centre, 79 Lei Muk Road, Kwai Chung, N.T., Hong Kong

13. Ultimate parent company

The Company is a subsidiary undertaking of Vectura Group Investments Limited. The Company's ultimate parent undertaking and ultimate controlling party is Vectura Group plc, a company incorporated in England and Wales. Vectura Group plc is both the smallest and largest entity to consolidate the results of the Company.

The consolidated financial statements for Vectura Group plc are available within the investors section of the Group's corporate website www.vectura.com/investors/financial-reports and from Vectura Group plc, One Prospect West, Chippenham, Wiltshire, SN14 6FH.

14. Post balance sheet events

During the year, the Company had one legacy revenue-contributing asset, Adept®, which was partnered with Baxter and contributed royalty revenues of £0.5m (2017: £0.9m). This patent expired on 13 May 2019.