REGISTERED NUMBER: 02369749 (England and Wales)

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2016

FOR

QUADRANT HEALTHCARE (UK) LIMITED

CONTENTS OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2016

	Page
Company Information	**1**
Report of the Directors	**2**
Statement of Comprehensive Income	**3**
Balance Sheet	**4**
Notes to the Financial Statements	**5**

COMPANY INFORMATION
FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2016

DIRECTORS:	M A Derodra J Murphy
COMPANY SECRETARY:	J Murphy
REGISTERED OFFICE:	One Prospect West Chippenham Wiltshire SN14 6FH United Kingdom
REGISTERED NUMBER:	02369749 (England and Wales)
BANKERS:	Barclays Bank Plc 28 Chesterton Road Cambridge CB4 3AZ United Kingdom

REPORT OF THE DIRECTORS FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2016

Quadrant Healthcare (UK) Limited ("the Company") is a wholly-owned subsidiary of Vectura Group plc ("Vectura Group" or "the Group"). The Directors present their report with the financial statements of the Company for the nine month period ended 31 December 2016. This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The Vectura Group had previously prepared its consolidated financial statements to the accounting reference date of 31 March. Following the merger with Skyepharma PLC (Skyepharma) on 10 June 2016, the Group has changed its accounting reference date to 31 December. In accordance with the Companies Act 2016, all subsidiaries in a Group must have the same reference date. As such the current financial period is for the nine months ended 31 December 2016, whilst the comparative period is for the twelve months ended 31 March 2016. As these accounts are dormant and as the balances are denominated in Sterling the change of reference date has no impact on these dormant accounts.

PRINCIPAL ACTIVITY

The Company has been a holding company and has not traded during the period. The Company's Directors have determined that the Company has reached the end of its useful life and have determined that the Company will be liquidated by the means of a solvent Member's Voluntary Liquidation in the subsequent accounting period. The financial statements have, therefore, been prepared on a basis other than that of a going concern which includes, where appropriate, adjusting the entity's assets to net realisable value on a break up basis. No adjustments were necessary to present the remaining net assets on a break up basis. The costs of terminating the business of the entity will be borne by the ultimate parent company, Vectura Group plc.

DIRECTORS

The Directors shown below have held office during the whole of the period from 1 April 2016 to the date of this report, unless otherwise stated:

A J Oakley (resigned 10 June 2016)
T M Phillips (resigned 31 May 2017)
M A Derodra (appointed 10 June 2016)
J Murphy (appointed 31 May 2017)

COMPANY SECRETARY

The appointment of J Murphy as Company Secretary was made on 13 September 2016.

POST BALANCE SHEET EVENTS

As explained above the Directors have determined that the Company will enter into a solvent Members Voluntary Liquidation. The Directors anticipate that this process will begin in the accounting period ended 31 December 2017. Upon appointment of liquidators, the Directors will cease to be empowered to act as Directors of the Company and therefore all of the Directors and the Company Secretary will formally resign with effect from the date of the appointment.

....

Andrew Derodra - Director

September 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2016

During the financial period and the preceding financial year, the Company did not trade and received no income and incurred no expenditure. Consequently, during these periods the Company made neither a profit or loss, nor any other recognised gains or losses.

BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	31 December 2016 £'000	31 March 2016 £'000
ASSETS			
NON CURRENT ASSETS			
Investments	2	1	1
CURRENT ASSETS			
Trade and other receivables	3	20,000	20,000
TOTAL ASSETS		20,001	20,001
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	4	4,085	4,085
Share premium account	5	24,375	24,375
Retained loss	5	(8,459)	(8,459)
TOTAL EQUITY		20,001	20,001

The Directors:

a) confirm that the Company was entitled to exemption under section 480 of the Companies Act 2006 from the requirement to have its accounts for the financial period ended 31 December 2016 audited;

b) confirm that members have not required the Company to obtain an audit of its accounts for that financial period in accordance with section 476 of that Act; and

c) acknowledge their responsibilities for:

   i) ensuring that the Company keeps accounting records which comply with section 386 of the Companies Act 2006, and

   ii) preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of its profit and loss for the financial period in accordance with the requirements of section 393 of that Act, and which otherwise comply with the requirements of that Act relating to accounts, so far as applicable to the Company.

The financial statements were approved by the Directors on September 2017.

....

Andrew Derodra - Director

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRSs") and related interpretations as adopted by the European Union.

As explained in the Directors' report, the Company's Directors have determined that the Company has reached the end of its useful life and have determined the Company will enter into a solvent Members Voluntary Liquidation during the subsequent accounting period. The financial statements have, therefore, been prepared on a basis other than that of a going concern which includes, where appropriate, adjusting the entity's assets to net realisable value on a break up basis. No adjustments were necessary to present the remaining net assets on a break up basis. The costs of terminating the business of the entity will be borne by the ultimate parent company, Vectura Group plc.

The Company is domiciled in the United Kingdom and is a wholly-owned subsidiary of another company incorporated in the EEC. In accordance with section 400 of the Companies Act 2006, the Company is not required to produce and has not published consolidated financial statements.

The principal accounting policies adopted are set out below.

Adoption of new and revised standards

The following amendments to IFRSs and a new interpretation issued by the International Accounting Standards Board ("IASB") have been applied by the Company in the current financial period. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Annual Improvements to IFRSs 2012-14 Cycle

The Company has adopted the amendments to IFRSs included in the *Annual Improvements to IFRSs 2012-14 Cycle (Sep 14)* for the first time in the current financial period. The adoption of the amendments has had no impact on the disclosures or amounts recognised in the Company financial statements.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the European Union ("EU")):

- IFRS 9 simplifies financial instrument classifications and hedge accounting rules as well as introducing impairment requirements for loans.
- IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and replaces all existing revenue requirements in IFRS. The core principle is that revenue will be recognised at an amount reflecting the consideration to which the company expects to be entitled in exchange for transferring goods or services to a customer. It may have an impact on revenue recognition and related disclosures.
- IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and it removes the current distinction between an operating and finance lease, introducing consistent requirements for all leases similar to the current finance lease accounting. The lease value for leased premises as well as other smaller trade related operating leases will be brought onto the balance sheet at the fair value of the future minimum lease payments.

As noted above and as explained in the Directors' Report, the Company's Directors have determined that the Company will enter into a solvent Members Voluntary Liquidation during the subsequent accounting period, consequently the standards listed above will have no impact on the financial statements of the Company in future periods.

1. Significant accounting policies - continued

Investments

Fixed asset investments are shown at cost, less provisions for any impairment in value. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued less any provision for impairment.

At each balance sheet date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

As a result of the proposed solvent Members Voluntary Liquidation, the carrying value of the investments is deemed to equal the value on a break up basis, as this represents the nominal value of the shares held in subsidiary undertakings which will be recovered under the liquidation.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provision of the instrument.

Trade and other receivables

Trade receivables do not carry interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The carrying value of these assets approximates their fair value.

1. Investment in subsidiaries

Cost or valuation	31 December 2016 £'000	31 March 2016 £'000
At the beginning and end of the period	**13,001**	13,001
Provisions		
At the beginning and end of the period	**(13,000)**	(13,000)
Net book value	**1**	1

The Company's investments at the balance sheet date in the share capital of companies include the following:

Name of undertaking	Country of incorporation	Holding	Proportion held	Nature of Business
Quadrant Bioresources Limited	England	Ordinary	100%	Dormant
Quadrant (USA), Inc.	United States of America	Ordinary	100%	Dormant
Quadrant Trustee Limited	England	Ordinary	100%	Dormant
Andaris Group Limited	England	Ordinary	100%	Dormant
Quadrant Holdings Cambridge Limited[1]	England	Ordinary	100%	Dormant
Andaris (DDS) Limited[2]	England	Ordinary	100%	Dormant
Microshot Limited[2]	England	Ordinary	100%	Dormant
Protosome Limited[2]	England	Ordinary	100%	Dormant

[1]A subsidiary of Andaris Group Limited
[2]A subsidiary of Quadrant Holdings Cambridge Limited

The above referenced subsidiaries have the same registered office address as the Company.

3. Trade and other receivables

	31 December 2016 £'000	31 March 2016 £'000
Amounts owed by group undertakings	**20,000**	20,000
	20,000	20,000

The Directors consider that the carrying amount of trade and other receivables approximates their fair value and is not affected by the intention to place the Company into Members Voluntary Liquidation in the subsequent accounting period.

4. Called up share capital

Allotted, issued and fully paid:

Number	Class	Nominal value	**31 December 2016 £'000**	31 March 2016 £'000
40,852,175	**Ordinary**	10p	**4,085**	4,085
			4,085	4,085

5. Share premium and reserves

	31 December 2016 £'000	31 March 2016 £'000
Share premium		
At the beginning and end of the period	**24,375**	24,375
Retained loss		
At the beginning and end of the period	**(8,459)**	(8,459)

6. Ultimate parent company

The Company's immediate parent undertaking is Quadrant Healthcare Limited, a company incorporated in England and Wales.

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 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.

7. Post balance sheet events

As disclosed in the Directors Report and accounting policies note (Note 1), the Company is expected to enter into a solvent Members Voluntary Liquidation. It is anticipated that this process will begin in the accounting period ended 31 December 2017.