

TRIZELL LTD

Annual Report and Financial Statements

31 December 2019



TRIZELL LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

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TRIZELL LTD

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Strategic report

The Directors present their Strategic Report on the affairs of Trizell Ltd ("the Company") for the year ended 31 December 2019.

Business review

Pipeline review

Work on developing the Company's scientific programs has continued during the year.

Financial review

On 1 January 2019, company disposed of its 100% shareholding in its subsidiary, FinVector Oy, was transferred at net book value to its parent company, Ferring Ventures S.A. (previously Trizell Holding S.A.).

The Company reports a loss for the year ended 31 December 2019 of £10,569,263 (2018: loss of £7,193,761). Revenue recorded in 2019 was £32,576,285 (2018: £27,461,019), as the Company executed its business plan. During the year the Company's licencing partner exercised its option over the commercialisation rights for one of the Company's products triggering the payment of a significant milestone.

During the year the Company continued to conduct research and development on its own programs. Research and development expenditure in 2019 was £16,904,586 (2018: £21,113,936). The decrease in research and development expenditure is due to one of its clinical trials nearing completion. Administrative expenses for the year were £3,652,358 (2018: £2,291,159). These administrative expenses consist primarily of remuneration for employees in executive and operational functions (including operations, finance and commercial development), facilities costs and professional fees.

Total net liabilities (defined as total assets less total liabilities) of the Company for 2019 were £14,684,869 (2018: £4,338,643).

Principal risks and uncertainties

Clinical and regulatory risk

Biological drug substances may not be stable or reproducible. Unacceptable toxicities or insufficient efficacy in the chosen indication may cause the medicine to fail or limit its applicability. Lack of performance by third party Clinical Research Organisations or an inability to recruit patients may cause undue delays in clinical trials. Clinical and regulatory issues may arise or changes to the regulatory environment may occur that lead to delays, further costs, reduction in the commercial potential of a product in development or the cessation of programmes. Ethical, regulatory or marketing approvals may be delayed or withheld or, if awarded, may carry unacceptable conditions to further development or commercial success.

The Company's manufacturing partner, its associated company, FinVector Oy based in Finland and those of its third party suppliers are subject to regulatory and licensing requirements. There is a risk that the facilities will fail to comply with the regulatory requirements. Given the cutting-edge nature of the technology, alternative manufacturing facilities may not be available. The Company's information technology systems must also comply with GMP regulatory requirements, and a failure to do so would impact on the Company's manufacturing capability. The Company manages its regulatory risk by working closely with its expert regulatory advisers and, where appropriate, by seeking advice from regulatory authorities on the design of key development plans for its pre-clinical and clinical programmes.

Competition and intellectual property risk

Companies may have intellectual property that restricts the Company's freedom of use of certain intellectual property or imposes high additional costs to obtain licences. The Company manages its competition and intellectual property risks by working closely with its legal advisers and obtaining, where

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necessary, opinions on the intellectual property landscape relevant to the Company's scientific programmes and its manufacturing activities and processes.

Counterparty risk

The Company relies on third party organisations to manufacture certain elements of its products. If the relationship with or performance of any of these partners is adversely affected, the Company's operations may be adversely impacted. As part of the Company's routine vendor assessment detailed due diligence is performed on all third party organisations to establish that such organisations have the required capability, expertise and financial stability to perform the relevant services for the Company. Wherever possible, alternative third party suppliers are identified to take over the performance of such services, in the event difficulties are experienced with the original vendor.

Financial risk

Longer term sustainability is dependent upon generating cash flows from successful development and commercialisation of the Company's products and manufacturing services. Until then, the Company will be dependent upon existing cash resources together with additional funding from its parent company. The parent company and its parent company have made appropriate assurances that such funding will be made available. Failure to generate additional funding may lead to a scale back or cessation of operations.

The Company's credit risk is primarily attributed to its money market investments and cash and cash equivalents. This risk is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. Deposits are made in accordance with the Investment Policy approved by the Board which contains strict criteria on minimum credit ratings and maximum deposit size.

The position regarding currency risk is regularly reviewed and currency hedging activity is initiated where appropriate. The Company has a formal Currency Risk Management Policy, the objective of which is to manage foreign currency exchange rate risk so that the Company does not suffer a material financial loss as a result of changes in exchange rates. Any transactions undertaken to mitigate such risks have to be matched to an underlying current or anticipated business requirement.

The impact of Brexit had a minor impact on the Company, while management has taken the measures to mitigate those minor impacts. The Company's manufacturing and clinical trials are undertaken at its sister companies, FinVector Oy and FKD Oy based in Finland, which will remain in the European Union. Certain contractual arrangements between the Company and FinVector Oy are being amended which will ensure that future finished goods will not have to transit in and out of the United Kingdom.

COVID-19 Risk

In early January 2020, a human infection originating in China was traced to a novel strain of coronavirus. The virus has subsequently spread to other parts of the world, including the U.S. and Europe, and has caused unprecedented disruptions in the global economy as efforts to contain the spread of the virus have intensified. On March 11, 2020, the World Health Organization officially declared this coronavirus outbreak (also referred to as COVID-19) a pandemic.

At the time of approval of these financial statements, the COVID-19 pandemic continues to present uncertainty and risk with respect to the performance of the Company and the related financial results. The rapid development and fluidity of the situation makes any prediction about the ultimate impact of COVID-19 on the business challenging. The impact of the COVID-19 pandemic on the Trizell Company is limited for now. Sufficient funding remains available to support the Company from its parent, where needed.

The directors continue to monitor the situation closely and all mitigation actions are being continually evaluated. The directors currently believe that they have adequate liquidity and business plans to continue to operate the business and mitigate any risks associated with COVID-19 for the next 12 months from the date of this report.

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Risk management

The Company's risk management process is described in note 15 to the financial statements. The process seeks to identify material risks and to determine how best to manage them. Specific risk managing actions the Company has in place are set out against certain of the risks identified in this section.

Key performance indicators ("KPIs")

The KPIs of the business are (i) the progress of the manufacturing revenue generating opportunities, and (ii) the management of cash resources (both funding and cash outflows). While these KPIs demonstrate relevant factors by reference to which the development, performance and position of the Company's business can be measured effectively, it is in the nature of the Company's strategy, and the biopharmaceutical industry in general, that these KPIs are not readily or meaningfully comparable year on year simply as measures.

Development & Commercial KPIs

The Company continues to focus its resources on exploiting the utilisation of, and revenue generating opportunities for, its established proprietary technology systems, process development and scale-up manufacturing capabilities by developing its own products and working with third party manufacturing clients. The progress and next stages of this strategy and expected timings are as follows:

2019

- Continued to progress and widen own product pipeline
- Maintained and added to our extensive Intellectual Property portfolio.

Looking ahead – 2020-21

- Continue to progress and widen own product pipeline moving additional product candidates into further clinical trials
- Maintain and add to our existing Intellectual Property portfolio

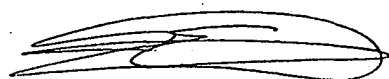
Financial KPI's

The management of cash KPI of the Company, being the operating cash consumed in the business and funding received is as follows:

"Operational cash consumed in the business" is defined by reference to the cash flow statement as being the addition of "net cash used in operating activities" and "net cash used in investing activities". Net cash used in investing activities in 2019 include the cash received from selling the shares of FinVector Oy to Ferring Ventures S.A. (previously Trizell Holding S.A.).

| | 2019 | 2018 |
|---|--------------|--------------|
| Operational cash consumed in the business | £(6,994,380) | £(3,321,715) |

Approved by the Board and signed on its behalf by:



Erik Schropp
Director

20 June 2021

TRIZELL LTD

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Directors' report

The Directors present their Annual Report on the affairs of Trizell Ltd ("the Company"), together with the financial statements and Independent Auditor's report for the year ended 31 December 2019.

Principal risks, financial risk management, and future developments are disclosed in the strategic report and notes to the accounts.

Principal activities

The principal activities of the Company are the development of new biotechnology products.

Trizell Ltd is 100% owned by Ferring Ventures S.A. (previously Trizell Holding S.A.), a Swiss company, ultimately owned by The Dr. Frederik Paulsen Foundation.

Financial review

The Company reports a loss for the year ended 31 December 2019 of £10,569,263 (2018: loss of £7,193,761). A financial review of results and key metrics is included within the Strategic Report.

Share-based compensation

Share-based compensation charged for the period amounted to £223,037 (2018: 228,566). The charge in the year arose from the vesting of new share options granted in prior years (Note 19).

Investment income

Third party interest arises as the Company invests its surplus cash in short term bank deposits according to the terms of the Investment Policy approved by the Directors.

Taxation

There were no UK corporation tax charges for the year under review due to the availability of tax losses but the Company continues the policy of surrendering tax losses for cash by making research and development tax claims to the tax authorities for year ended 31 December 2019. A claim in respect of qualifying research and development expenditures for the year ended 31 December 2017 for £431,407 was received during the year.

Cash flow

The net cash outflow from operating activities for the year was £6,750,748 (2018: £2,561,926). The Company's net cash outflow from capital expenditure was £243,632 (2018: £761,470).

The Company's net cash inflow from financing activities was £11,409,878 (2018: £4,579,243). Interest received from cash and equivalents was £Nil (2018: £1,681).

Going concern

The Directors consider the Company to be a going concern, after considering the impacts of COVID-19, and these financial statements have been prepared on that basis, as discussed in note 2 to the financial statements.

Events after the balance sheet date

The impact of COVID-19 has been assessed as a non-adjusting post balance sheet event in making this assessment, the Directors have considered the impact of COVID-19 on the Company and company and have not identified any material adjustments required.

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Dividends

The Directors are unable to recommend the payment of a dividend (2018: £Nil).

Directors

The Directors who served the Company during the year and to the date of this report (except as stated) were as follows:

Erik Schropp (Appointed 9 December 2020)
Jeffrey Hobbs (Appointed 9 December 2020)
Jesse Fecker (Appointed 17 December 2020)
Jean Duvall (Resigned 9 December 2020)
Robert Shaw (Resigned 22 January 2021)
Mark Docherty (Resigned 9 June 2021)

Directors' indemnities

The Company currently hold Directors' and Officers' Liability Insurance, which indemnifies Directors against the costs of defending themselves if legal action were taken against them personally by a third party. This applies only to activities carried out on behalf of the Company and associated companies, but does not apply to fraudulent activities.

Policy and practice on payment of creditors

It is the Company's policy to agree payment terms with suppliers at the start of business relationships and to abide by those terms. The average credit taken for trade purchases is 65 days (2018: 52 days).

Political contributions

No political donations or contributions to any political organisations were made during the year (2018: £Nil).

Research and Development

The main activities of the Trizell Company are the research and development (R&D) of new biotechnology products. The primary focus of the Company is the R&D of cell and gene-based therapy products and, in particular, a late clinical stage product for the potential treatment of non-muscle invasive bladder cancer.

Coronavirus

The coronavirus epidemic, which began in China, progressed at the beginning of the year 2020 into a global pandemic that has caused many very exceptional actions worldwide. The decisions taken due the pandemic have increased the uncertainty in corporate financing, market demand, freight transport and general economic development. The duration of the state of emergency is uncertain which makes it difficult to predict the future development in business, but it is clear that the effects of a pandemic may become significant in the future, especially if prolonged.

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Statement of disclosure to auditor

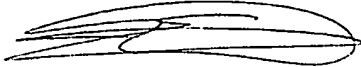
Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the board and signed on its behalf by:



Erik Schropp
Director

Trizell Ltd Registered Office:
Sanderum House, Oakley Road,
Chinnor, Oxfordshire OX39 4TW

20 June 2021

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Directors' Responsibilities Statement

The directors are responsible for preparing the Annual 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 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.

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Independent auditor's report to the members of Trizell Ltd

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Trizell Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive expense;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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 Financial Reporting Council's (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.

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Independent auditor's report to the members of Trizell Ltd (continued)

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 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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Independent auditor's report to the members of Trizell Ltd (continued)



Andrew Hornby FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

24 June 2021

TRIZELL LTD

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Statement of comprehensive expense for the year ended 31 December 2019

| | | 2019 £'s | 2018 £'s |
|--|------|---------------------|--------------------|
| | Note | | |
| Revenue | 3 | 32,576,285 | 27,461,019 |
| Cost of sales | | (22,168,366) | (14,486,301) |
| Gross profit | | <u>10,407,919</u> | <u>12,974,718</u> |
| Research and development expenses | | (16,904,586) | (21,113,936) |
| Selling and marketing costs | | (214,243) | (169,029) |
| Other administrative expenses | | (3,429,321) | (2,062,593) |
| Share-based compensation | | (223,037) | (228,566) |
| Administrative expenses | | <u>(3,652,358)</u> | <u>(2,291,159)</u> |
| Other income | 3 | 431,407 | 459,652 |
| Other expenses | | (708,012) | - |
| Reversal of prior years impairment | | 563,825 | 3,014,924 |
| Total other income/expenses | | <u>287,220</u> | <u>3,474,576</u> |
| Operating profit / (loss) | | <u>(10,076,048)</u> | <u>(7,124,830)</u> |
| Investment income | 3 | 135,631 | 58,605 |
| Finance costs | 4 | (628,846) | (127,536) |
| Profit before taxation | 5 | <u>(10,569,263)</u> | <u>(7,193,761)</u> |
| Taxation | 7 | - | - |
| Loss after taxation, being profit for the year | | <u>(10,569,263)</u> | <u>(7,193,761)</u> |
| Other comprehensive expense | | - | - |
| Total comprehensive expense for the year | | <u>(10,569,263)</u> | <u>(7,193,761)</u> |

Total comprehensive expense for the year is all attributable to the owners of the parent company.
The income has arisen from continuing operations.

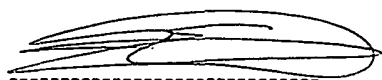
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Balance Sheet as at 31 December 2019

| | | 2019 £'s | 2018 £'s |
|-----------------------------------|------|--------------------------|--------------------------|
| | Note | | |
| Non-current assets | | | |
| Intangibles assets | 8 | 890,073 | 956,887 |
| Property, plant and equipment | 9 | 4,405 | 9,044 |
| Investments | 10 | | 5,085,230 |
| | | <u>894,478</u> | <u>6,051,161</u> |
| Current assets | | | |
| Inventory | | | 3,942,860 |
| Trade and other receivables | 11 | 793,875 | 695,011 |
| Amounts owed by Group companies | 11 | 17,627,055 | 13,404,704 |
| Cash and cash equivalents | | 8,232,891 | 3,817,393 |
| | | <u>26,653,821</u> | <u>21,859,968</u> |
| TOTAL ASSETS | | <u>27,548,299</u> | <u>27,911,129</u> |
| Non-current liabilities | | | |
| Obligations under leases | 12 | | 5,550 |
| Deferred income | 14 | 22,174,635 | 22,174,635 |
| | | <u>22,174,635</u> | <u>22,180,185</u> |
| Current Liabilities | | | |
| Trade and other payables | 14 | 2,881,656 | 2,899,205 |
| Amounts owed to parent company | 14 | 6,819,091 | 5,503,843 |
| Amounts owed to group companies | 14 | 10,357,786 | 1,661,632 |
| Obligations under leases | 12 | | 4,907 |
| | | <u>20,058,533</u> | <u>10,069,587</u> |
| TOTAL LIABILITIES | | <u>42,233,168</u> | <u>32,249,772</u> |
| Equity | | | |
| Share Capital | 17 | 863,994 | 863,994 |
| Share Premium | | 8,048,879 | 8,048,879 |
| Share-based compensation | | 4,493,040 | 4,270,003 |
| Retained profit/loss | | (28,090,782) | (17,521,519) |
| | | <u>(14,684,869)</u> | <u>(4,338,643)</u> |
| TOTAL LIABILITY AND EQUITY | | <u>27,548,299</u> | <u>27,911,129</u> |

The financial statements of Trizell Ltd, registered number 03351628, were approved by the Board of Directors and were authorised for issue on 20th June 2021.



Erik Schropp
Director

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Statement of changes in equity for the year ended 31 December 2019

| | | Share capital £'s | Share premium £'s | Share-based compensation reserve £'s | Retained losses/earnings £'s | Total £'s |
|---|------|----------------------|----------------------|---|------------------------------------|---------------------|
| | Note | | | | | |
| Balance as at 1 January 2018 | | 863,994 | 8,048,879 | 4,041,437 | (10,327,758) | 2,626,552 |
| Share-based compensation charge | 19 | - | - | 228,566 | - | 228,566 |
| Profit/(Loss) and total comprehensive income for the year | | - | - | - | (7,193,761) | (7,193,761) |
| Balance as at 31 December 2018 | | 863,994 | 8,048,879 | 4,270,003 | (17,521,519) | (4,338,643) |
| Share-based compensation charge | 19 | - | - | 223,037 | - | 223,037 |
| Profit/(Loss) and total comprehensive income for the year | | - | - | - | (10,569,263) | (10,569,263) |
| Balance as at 31 December 2019 | | 863,994 | 8,048,879 | 4,493,040 | (28,090,782) | (14,684,869) |

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Cash Flow statement for the year ended 31 December 2019

| | 2019 £'s | 2018 £'s |
|--|--------------------|---------------------|
| Operating profit/(loss) | (10,076,048) | (7,124,829) |
| Adjustments for non-cash items | | |
| Depreciation and amortisation | 315,085 | 33,952 |
| Share-based compensation | 223,037 | 228,566 |
| Impairment (gains)/losses on intercompany loans | (563,825) | (3,014,924) |
| Other (gains)/losses | (431,407) | - |
| Research and development tax credit accrual | - | (334,107) |
| Disposal of investments in subsidiaries | - | 2,193 |
| Changes in working capital | | |
| Decrease/(Increase) in receivables | (144,792) | (4,408,637) |
| Decrease/(Increase) in inventory | 3,942,860 | (153,650) |
| (Decrease)/Increase in payables | (447,065) | 1,624,537 |
| Net cash used in operations | (7,182,155) | (13,146,900) |
| GMP4 scale up receipt | - | 10,209,360 |
| R&D tax credit and other corporate taxes | 431,407 | 375,614 |
| Net cash used in operating activities | (6,750,748) | (2,561,926) |
| Investing activities | | |
| Interest received | - | 1,681 |
| Purchases of intangible assets | (243,632) | (761,470) |
| Net cash used in investing activities | (243,632) | (759,789) |
| Financing activities | | |
| Payment of lease obligation | (6,030) | (6,030) |
| (Decrease)/Increase in lease liabilities | - | (4,339) |
| Finance costs | (2,201) | (1,707) |
| Funding to Group companies | (1,797,810) | - |
| Repayment of loans and interests to Group companies | (26,428,189) | - |
| Funding from Group companies | 39,644,108 | 4,591,319 |
| Net cash from financing activities | 11,409,878 | 4,579,243 |
| Net (decrease)/increase in cash and cash equivalents | 4,415,498 | 1,257,528 |
| Cash and cash equivalents at beginning of year | 3,817,393 | 2,559,865 |
| Cash and cash equivalents at end of year | 8,232,891 | 3,817,393 |

Cash and bank balances comprise the components of cash and cash equivalents.

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Notes to the financial statements for the year ended 31 December 2019

1 Presentation of financial statements

General Information

Trizell Ltd is a private limited company domiciled and registered in England and Wales and limited by shares. The address of the registered office is given on page 6.

These financial statements are presented in Sterling since that is the functional currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out in note 2.

Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

Effective 1 January 2019 resulting from Annual Improvements to IFRS standards 2015-2017 Cycle

| | |
|---------|-----------------------|
| IAS 12 | Income Taxes |
| IAS 23 | Borrowing Costs |
| IFRS 3 | Business Combinations |
| IFRS 11 | Joint Arrangements |

Effective 1 January 2019

| | |
|--------------------|--|
| IAS 19, amendment | Employee Benefits |
| IFRS 9, amendment | Prepayment Features with Negative Compensation |
| IFRS 10, amendment | Consolidated Financial Statements and IAS 28 |
| IFRS 16 | Leases |
| IFRIC 23 | Uncertainty over Income Tax Treatments |

Effective 1 January 2021

| | |
|---------|---------------------|
| IFRS 17 | Insurance Contracts |
|---------|---------------------|

The Directors believe that the adoption of the Standards listed above have not had a material impact on the financial statements of the Company in the current or future periods.

New and revised IFRS Standards in issue but not yet effective

At the date of signing these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Effective 1 January 2021

| | |
|---------|---------------------|
| IFRS 17 | Insurance Contracts |
|---------|---------------------|

The Directors do not expect that the adoption of the Standard listed above will have a material impact on the financial statements of the Company in future periods.

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union and it complies with all requirement of each applicable IFRS, including the translational method.

Basis of preparation

The financial statements have been prepared on the historical cost basis amended for certain items at fair value, as they occur.

Going Concern

The parent company of Ferring Ventures S.A., Ferring Foundation B.V. (previously Isles B.V.), has undertaken to provide Ferring Ventures S.A. and Trizell Ltd with sufficient financial support to continue to trade, without significant curtailment of activities, and to meet its liabilities as they fall due for the foreseeable future being a period of at least 12 months from the date of signing the financial statements.

As at 31 December 2019, the Company had cash and cash equivalents of £8,232,891 (2018: £3,817,393).

Management prepares detailed cash flow forecasts which are reviewed by the Board on a regular basis. The forecasts include assumptions regarding future income and expenditure together with various scenarios which reflect opportunities, risks and appropriate mitigating actions. This includes the impact of COVID-19 on the Company. Given the assurances from Ferring Foundation B.V. in providing support and not recalling amounts owed to it should the Company not have sufficient resources to settle those amounts, the Directors of the Company are satisfied that there is sufficient discretion and control as to the timing and quantum of cash outflows to ensure that the Company is able to meet its liabilities as they fall due for the foreseeable future.

Therefore, having made relevant enquiries, the Board has a reasonable expectation that, at the time of approving the statutory accounts, the Company has adequate resources to continue in operational existence for the foreseeable future as defined above. Accordingly, the Board continues to adopt the going concern basis in preparing the statutory accounts.

Revenue recognition

Revenue is recognised using the five-step model framework of IFRS 15. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer, and / or when the underlying performance obligation has been satisfied.

Revenue is stated net of discounts, returns and value added taxes.

Sales of goods are recognised when control has transferred.

Non-refundable licence fees are recognised over the term of the licence, except where the earnings process is considered to be complete, in which case the revenue is recognised in full at that time. Contributions to research and development programmes are recognised on an as received basis in accordance with the appropriate licence provisions.

Milestone income on pharmaceutical development contracts is recognised when the milestone has been achieved. In accordance with the variable consideration constraint, milestone revenue is fully constrained until the conditions for receiving it have been met.

Royalty income is recognised as the underlying sales occur.

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2 Summary of significant accounting policies (continued)

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset's net carrying amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank accounts (GBP, EUR and USD).

Investments

Investments are stated at cost less provision for impairment.

Intangible fixed assets

Acquired licences

Acquired licences are recognised at their cost at the acquisition date and are amortised over their useful economic life.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Company's development activities is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible assets can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Computer software

The Company writes off software costs as incurred, except for purchases from third parties in respect of major systems. In such cases these are capitalised and written off over a period of three years from the date of purchase.

Impairment of assets

The carrying values of non-current assets (including property, plant and equipment, intangibles and the investment in subsidiary) are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which it belongs.

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

2 Summary of significant accounting policies (continued)**Fixed Assets**

Property, plant and equipment is stated at cost net of depreciation and provision for impairment. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, as reviewed at each balance sheet date, of each asset on a straight-line basis over its expected useful life as follows:

| | |
|--|------------------------------------|
| Leasehold improvements | lower of 5 years or the lease term |
| Laboratory equipment and plant and machinery | 20% per annum |
| Office equipment | 33.33% per annum |

The Company's investment in its subsidiary is stated at the lower of cost or net realisable value and this is reviewed at each balance sheet date.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Foreign currencies

Transactions of the Company companies denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Foreign exchange differences thereon are recognised in profit or loss in the period in which they arise.

The Company has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRSs as sterling denominated assets and liabilities. All other exchange differences are included in the income statement.

Leasing**Company as lessee**

The Company leases certain items of its office equipment. The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. All of the leases of the Company meet this definition.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

2 Summary of significant accounting policies (continued)

Deferred tax is accounted for using the balance sheet liability method in respect of temporary timing differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis.

Deferred tax is measured on an undiscounted basis, and at the tax rates that are expected to apply in the period in which the asset or liability is settled. It is recognised in the income statement except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing costs

Borrowing costs directly attributed to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories, which are all raw materials are stated at the lower of cost and net realisable value. Cost represents consumable stock used in contract manufacturing activity, and is recorded at average price. Net realisable value is based on estimated selling price less costs of disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Post-retirement benefits

The Company makes contributions to employees' personal pension plans which are defined contribution schemes. The amount charged to the income statement in respect of pension costs is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

Government grants

Government grants relating to property, plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned. Other grants are credited to the income statement as the related expenditure is incurred.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Company ceases to recognise financial liabilities when the Company obligations are discharged, cancelled or they expire.

Financial assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are recognised at amortised cost in line with IFRS 9.

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

2 Summary of significant accounting policies (continued)

Financial liabilities

Financial liabilities, including borrowings, are initially measured at transaction price, net of costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments throughout the expected life of the financial liability or where appropriate, a shorter period.

Trade payables are not interest bearing and are stated at their amortised cost. Loans are measured at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Share-based payments

The Company operates an employee share option scheme. For all grants of share options, the fair value as at the date of grant is calculated using an option pricing model and the corresponding expense is recognised over the vesting period.

Employees (including Directors) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured as the difference between fair value of the share-based payments and the fair value of any identifiable goods or services received at the grant date. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using an appropriate pricing model, further detail of which are given in Note 19.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘the vesting date’). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described on the previous paragraph.

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2 Summary of significant accounting policies (continued)**Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the opinion of the directors there are no critical judgements or key sources of estimation uncertainty that have been made in applying the Company's accounting policies.

3 Revenue

An analysis of the Company's revenue is as follows:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | £'s | £'s |
| Revenue | | |
| Revenue from sale of goods and services | 6,465,285 | 20,391,163 |
| Revenue from licencing activities | 26,111,000 | 7,069,856 |
| | <u>32,576,285</u> | <u>27,461,019</u> |
| Other Income | | |
| Other Income - third party | - | 159,652 |
| Other Income - Research and Development Expense Claim (RDEC) | 431,407 | 300,000 |
| | <u>431,407</u> | <u>459,652</u> |
| Investment income | | |
| Investment income - third party | - | 1,681 |
| Investment income - group companies | 135,631 | 56,924 |
| | <u>135,631</u> | <u>58,605</u> |
| | <u>33,143,323</u> | <u>27,979,275</u> |

Revenue from sale of goods and services consists of intercompany sales to Ferring International Centre S.A. (£6,429,375), and third party sales to Transgene S.A. (£35,910).

Revenue from licencing activities consists of contract revenue from Ferring International Centre S.A., comprising:

- £17,242,000 from an option exercise fee for which the performance obligation is the transfer of the underlying option rights; and
- £8,869,000 milestone income relating to the achievement of regulatory submission in the first major market (USA), for which the performance obligation is the related development activity. In accordance with the variable consideration constraint, milestone revenue is fully constrained until the conditions for receiving it have been met.

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3 Revenue (continued)

Third party investment income consists of interest on cash and cash equivalents. Investment income is earned on financial assets categorised under IFRS 7 as loans and receivables (including cash and cash equivalents). Payment terms are bound by a contract and there is no variable consideration.

4 Finance costs

| | 2019 | 2018 |
|---------------------------------------|----------------|----------------|
| | £'s | £'s |
| Interest payable - third party | 2,201 | 125,827 |
| Interest payable - group companies | 626,645 | - |
| Other finance costs - group companies | - | 1,709 |
| | 628,846 | 127,536 |

5 Loss before taxation

Profit/(loss) before taxation is after charging/(crediting):

| | 2019 | 2018 |
|--|-----------|-------------|
| | £'s | £'s |
| Staff costs (note 6) | 1,776,546 | 1,561,153 |
| Depreciation | 4,640 | 5,031 |
| Amortization of other intangibles | 310,445 | 28,920 |
| Cost of inventory | 3,942,860 | 5,302,515 |
| Short term lease rentals, Property | 107,287 | 84,500 |
| Net foreign exchange gains/(losses) | (275,648) | (159,652) |
| Fees payable to the Company's Auditor for the audit of the Company's annual accounts | 70,750 | 58,000 |
| Taxation compliance services | 8,348 | 20,413 |
| Impairment movement | (563,825) | (3,028,284) |

Fees payable to the Company's auditors, Deloitte LLP, for audit included above are £70,750 (2018: £58,000). Fees payable to Deloitte LLP for other services were £8,348 (2018: £20,413).

Certain intercompany balances had previously been provided for, they have now been paid in full therefore the impairment movement reflects the reversal of provisions.

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6 Directors and Employees**Directors**

| The aggregate remuneration comprised: | 2019 | 2018 |
|---------------------------------------|----------------|----------------|
| | £'s | £'s |
| Salaries and benefits | 546,408 | 435,881 |
| Pension contributions | 10,000 | 10,000 |
| | <u>556,408</u> | <u>445,881</u> |

The remuneration for the highest paid director was as follows:

| <u>Fees/Basic Salary</u> | <u>Pension</u> | <u>2019 total</u> | <u>2018 total</u> |
|--------------------------|----------------|-------------------|-------------------|
| <u>385,229</u> | <u>10,000</u> | <u>395,229</u> | <u>312,564</u> |

Retirement benefits are accruing in respect of qualifying services for 1 (2018: 1) director.

Employees

| The aggregate remuneration comprised: | 2019 | 2018 |
|---------------------------------------|------------------|------------------|
| | £'s | £'s |
| Wages and salaries | 1,482,187 | 1,308,722 |
| Social security costs | 188,618 | 162,042 |
| Other pension costs (note 18) | 64,898 | 90,390 |
| Termination payments | 40,843 | - |
| | <u>1,776,546</u> | <u>1,561,154</u> |

Average monthly number of people (including Executive Directors) employed:

| | 2019 | 2018 |
|----------------------------|-----------|-----------|
| | Number | Number |
| Finance and administration | 4 | 2 |
| Sales and marketing | 1 | 1 |
| Development | 4 | 6 |
| Manufacturing | 1 | 1 |
| | <u>10</u> | <u>10</u> |

In addition to the above remuneration a share option scheme was introduced in the year ended 31 December 2017, see Note 19 for details. Key management personnel are the Directors and services provided by Hamesman Limited, see Note 20 for details.

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7 Taxation

The debit/(credit) for the year can be reconciled to the Company's profit/(loss) per the statement of comprehensive income as follows:

| | 2019 £'s | 2018 £'s |
|--|---------------------|--------------------|
| Profit/(loss) before taxation | <u>(10,569,263)</u> | <u>(7,193,761)</u> |
| Tax on profit/(loss) at UK corporate rate 19.00% (2018: 19.00%) | (2,008,160) | (1,366,815) |
| Expenses not deductible for tax purposes: | | |
| Expenses relating to impairment gain/(loss) | 107,127 | (572,836) |
| UK tax losses carried forward | <u>1,901,033</u> | <u>1,939,651</u> |
| Taxation credit for the year | <u>-</u> | <u>-</u> |

The tax rate applied to reported loss is 19% (2018: 19%).

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%.

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8 Intangible assets

| | Licences £'s | Computer Software £'s | TOTAL £'s |
|---------------------------------------|-----------------|-----------------------------|------------------|
| <u>Cost</u> | | | |
| Balance as at 1 January 2018 | 2,578,169 | 353,942 | 2,932,111 |
| Additions | - | 761,470 | 761,470 |
| Disposals | (2,578,169) | (62,037) | (2,640,206) |
| Balance as at 31 December 2018 | - | 1,053,375 | 1,053,375 |
| <u>Accumulated Depreciation</u> | | | |
| Balance as at 1 January 2018 | 2,578,169 | 129,605 | 2,707,774 |
| Charge for the year | - | 28,920 | 28,920 |
| Disposals | (2,578,169) | (62,037) | (2,640,206) |
| Balance as at 31 December 2018 | - | 96,488 | 96,488 |
| <u>Carrying amount</u> | | | |
| As at 31 December 2018 | - | 956,887 | 956,887 |
| As at 31 December 2017 | - | 224,337 | 224,337 |
| <u>Cost</u> | | | |
| Balance as at 1 January 2019 | - | 1,053,375 | 1,053,375 |
| Additions | - | 243,632 | 243,632 |
| Disposals | - | - | - |
| Balance as at 31 December 2019 | - | 1,297,007 | 1,297,007 |
| <u>Accumulated Depreciation</u> | | | |
| Balance as at 1 January 2019 | - | 96,488 | 96,488 |
| Charge for the year | - | 310,446 | 310,446 |
| Disposals | - | - | - |
| Balance as at 31 December 2019 | - | 406,934 | 406,934 |
| <u>Carrying amount</u> | | | |
| As at 31 December 2019 | - | 890,073 | 890,073 |
| As at 31 December 2018 | - | 956,887 | 956,887 |

Licences are amortised over their estimated useful lives.

Acquired licences predominantly relate to proprietary know-how pertaining to certain manufacturing processes and to intellectual property associated with Viral Vectors.

Amortisation charge is included within other administration expenses in the consolidated statement of comprehensive income.

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9 Property, plant and equipment

| | Leasehold improve £'s | Machines & Lab equip £'s | Office equip £'s | TOTAL £'s |
|--|-----------------------------|--------------------------------|---------------------|--------------|
| <u>Cost</u> | | | | |
| Balance as at 1 January 2018 | 50,939 | 133,946 | 289,684 | 474,569 |
| Disposals | (50,939) | (133,946) | (265,780) | (450,665) |
| Balance as at 31 December 2018 | - | - | 23,904 | 23,904 |
| <u>Accumulated Depreciation</u> | | | | |
| Balance as at 1 January 2018 | 50,939 | 133,946 | 275,608 | 460,493 |
| Charge for the year | - | - | 5,032 | 5,032 |
| Disposals | (50,939) | (133,946) | (265,780) | (450,665) |
| Balance as at 31 December 2018 | - | - | 14,860 | 14,860 |
| <u>Carrying amount</u> | | | | |
| Balance as at 31 December 2018 | - | - | 9,044 | 9,044 |
| Balance as at 31 December 2017 | - | - | 14,076 | 14,076 |
| The net book value of office equipment held under finance leases | | | | 8,809 |

| | Leasehold improve £'s | Machines & Lab equip £'s | Office equip £'s | TOTAL £'s |
|--|-----------------------------|--------------------------------|---------------------|--------------|
| <u>Cost</u> | | | | |
| Balance as at 1 January 2019 | - | - | 23,904 | 23,904 |
| Balance as at 31 December 2019 | - | - | 23,904 | 23,904 |
| <u>Accumulated Depreciation</u> | | | | |
| Balance as at 1 January 2019 | - | - | 14,860 | 14,860 |
| Charge for the year | - | - | 4,640 | 4,640 |
| Balance as at 31 December 2019 | - | - | 19,500 | 19,500 |
| <u>Carrying amount</u> | | | | |
| Balance as at 31 December 2019 | - | - | 4,404 | 4,404 |
| Balance as at 31 December 2018 | - | - | 9,044 | 9,044 |
| The net book value of office equipment held under finance leases | | | | 8,809 |

Depreciation charge is included within other administrative expenses in the statement of comprehensive income.

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10 Investments

| Investment in subsidiaries | 2019 | 2018 |
|-----------------------------------|-------------|-------------|
| | £'s | £'s |
| Shares in FinVector Oy | - | 5,085,230 |

| Name, Country of incorporation | Holding | % |
|---------------------------------------|----------------|----------|
| FinVector Oy, Finland | Ordinary | 100 |

Principal activity

FinVector Oy, Finland Development of products in areas of specialist medicine and provision of contract manufacturing services to the pharmaceutical and biotech industries.

On 1st January 2019 the Company's investment in its subsidiary, FinVector Oy, was transferred at net book value to its parent company, Ferring Ventures S.A.

11 Other assets**Trade and other receivables**

The average credit period taken on sales of goods is 7 days (2018: 7 days). The Directors consider that the carrying amount of trade and other receivables approximates their fair value and that there are no indicators of impairment. No amounts receivable for the sale of goods and services are past due or impaired as at the balance sheet date.

| Trade and other receivables | 2019 | 2018 |
|---|-------------------|-------------------|
| | £'s | £'s |
| Prepayments | 432,895 | 253,609 |
| R&D Tax receivables | 300,000 | 300,000 |
| Other debtors | 60,980 | 141,402 |
| | 793,875 | 695,011 |
| <i>Amounts owed by group companies</i> | 17,627,055 | 13,968,529 |
| <i>Less provision for doubtful debts (impairment)</i> | <i>-</i> | <i>(563,825)</i> |
| Amounts owed by group companies | 17,627,055 | 13,404,704 |

The provision for doubtful debts was released during the year against loans made by the Company to its associated company Lymphatix Oy. In determining the amount considered to be recoverable, the Directors have considered, inter alia, the net asset position of the Company and the future operating cash flows of this company. The Company does not hold any collateral over these loans. Loans include an interest free loan to its associated company, FinVector Oy which is repayable on demand. There were no other movements in the provision for doubtful debts.

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12 Leases

Low value leases

It is the Company's policy to lease certain items of its office equipment. For the year ended 31 December 2019, the average lease term is 3-5 years and the average effective borrowing rate for the Company was 14.08% (2018: 14.08%). Average interest rate for the Company was 12.38% (2018: 12.38%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

Lease obligations for the Company are denominated in Sterling. Lease obligations for the Subsidiary in Finland are denominated in Euro. All leases of this nature are for low value assets.

Short term leases

At 31 December 2019, the Group is committed to £27,324 (2018: £61,747) for short-term leases.

13 Loans

There were no loans outstanding at 31 December 2019 (2018: £Nil).

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14 Trade, other payables and non-current payables

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit taken for trade purchases is 65 days (2018:65 days).

| Trade and other payables | 2019 | 2018 |
|---------------------------------|-------------------|-------------------|
| | £'s | £'s |
| Trade creditors and accruals | 2,881,656 | 2,899,205 |
| Amounts owed to parent company | 6,819,091 | 5,503,843 |
| Amounts owed to group companies | 10,357,786 | 1,661,632 |
| | 20,058,533 | 10,064,680 |

| Non-current payables | 2019 | 2018 |
|-----------------------------|-------------|-------------|
| | £'s | £'s |
| Deferred income | 22,174,635 | 22,174,635 |

The Directors consider that the carrying amount of trade payables approximates to their fair value. Amounts owed to parent and Company companies are mainly working capital loans, interest charges (ECB +2% and UK base +1%) and other payables which are repayable on demand.

15 Financial instruments**Capital risk management**

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximising the return to stakeholders. The capital structure of the Company consists of cash and cash equivalents, and equity (comprising issued capital (note 17), reserves and retained earnings as detailed in the company statement of changes in equity).

Externally imposed capital requirement

The Company is not subject to externally imposed capital requirements.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters, and may utilise spot purchases of foreign currencies, options or forward contracts. The planning horizon for determining foreign currency exposures is 12 months.

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15 Financial instruments (continued)

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities are as follows:

| Sensitivity analysis | 2019 £'s | 2018 £'s |
|--|---------------------|---------------------|
| Total monetary assets USD | 1,748 | 10,212 |
| Total monetary liabilities USD | (266,738) | (97,026) |
| | <u>(264,990)</u> | <u>(86,814)</u> |
| US dollar currency Impact profit/(loss) at 10% | 24,090 | 7,892 |
| Total monetary assets Euro | 25,250,308 | 20,381,632 |
| Total monetary liabilities Euro | (17,299,481) | (2,887,110) |
| | <u>7,950,827</u> | <u>17,494,522</u> |
| Euro currency Impact profit/(loss) at 10% | (722,802) | (1,590,411) |
| Total monetary assets | 25,252,056 | 20,391,843 |
| Total monetary liabilities | <u>(17,566,219)</u> | <u>(2,984,136)</u> |
| Net | 7,685,837 | 17,407,707 |

Foreign currency sensitivity analysis

The previous table details also the Company's sensitivity to a 10% increase and decrease in Sterling against the Euro and US Dollar. 10% represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items at year end and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where sterling strengthens 10% against the relevant currency. For a 10% weakening of Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be positive.

Forward foreign exchange contracts

There were no forward exchange contracts outstanding as at 31 December 2019 and 31 December 2018.

Interest rate risk management

Intercompany receivables and payables in the Company's accounts are charged at base rate plus a reasonable arm's length premium. Changes in Interest rate would not have a material effect on the Financial Statements.

Credit risk management

The Company's credit risk is attributed to its cash and cash equivalents, related party balances and related party guarantees. For cash and cash equivalents, the Company only transacts with counterparties with high credit ratings assigned by international credit rating agencies.

Credit risk associated with trade receivables is minimised by performing credit evaluations on current and potential customers.

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15 Financial instruments (continued)**Overview of the Company's exposure to credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at 31 December 2019 the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from:

- The carrying amount of the respective recognised financial assets as stated in the statement of the financial position.

The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching up the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk are set out below.

| Carrying value at amortised cost | Note | 2019 £ | 2018 £ |
|----------------------------------|------|-----------|-----------|
| Cash and bank balances | | 8,232,891 | 3,817,393 |
| Investments | 10 | - | 5,085,230 |
| Trade and other receivables | 11 | 793,875 | 695,011 |
| Obligations under finance leases | 12 | 5,550 | 10,457 |
| Trade and other payables | 14 | 2,881,656 | 2,899,205 |

Details of the interest income and finance costs related to these financial instruments are included in notes 3 and 4. All changes in liabilities arising from financing activities are from financing cash flows.

16 Deferred tax

As at 31 December 2019 the Company has tax losses amounting to £132,740,392 (2018: £121,921,500), no deferred tax asset has been provided in relation to these tax losses.

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17 Share capital

| | 2019 £'s | 2018 £'s |
|---------------------------------------|----------------|----------------|
| Authorised | | |
| 9,000,000 ordinary shares of 10p each | <u>900,000</u> | <u>900,000</u> |
| Issued and fully paid | | |
| 8,639,941 ordinary shares of 10p each | <u>863,994</u> | <u>863,994</u> |

18 Retirement benefits plan

The Company makes contributions to all qualifying employees' personal pension plans, which are defined contribution schemes. The total cost charged to income of £64,898 (2018: £90,390) represents contributions payable to these schemes by the Company. At 31 December 2019, contributions due totalling £Nil were in respect of the current reporting period which had not been paid over to the schemes (2018: £21,350).

19 Share-based payments - equity-settled share option scheme

During the year no options over ordinary shares were granted under the Trizell Long Term Benefit Scheme (the "Share Scheme").

Fair Value Calculations

For the purposes of valuing options to arrive at the share-based compensation charge, the Black-Scholes option pricing model has been used. The inputs into the Black-Scholes model are as follows:

| | Share Scheme | |
|------------------------------------|---------------------|-------|
| | 2019 ¹ | 2018 |
| Weighted average share price | n/a | €6.60 |
| Weighted average exercise price | n/a | €6.60 |
| Expected volatility ² | n/a | 63% |
| Expected life (years) ³ | n/a | 9.00 |
| Risk free rate ⁴ | n/a | 1.39% |
| Expected dividends/yield | n/a | - |

(1) No Options granted during the year

(2) Expected volatility was determined by using UK quoted company comparables.

(3) The expected useful life used in the models is based on management's best estimate.

(4) The risk free rate of return is the UK Gilt Rate at the date of grant, commensurate with the expected term.

The charge is recognised over the expected vesting period, utilising the fair value from the method above, and after adjusting for estimated cancellations of options as employees leave.

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19 Share-based payments - equity-settled share option scheme (continued)

Options Outstanding

| | Share-option Schemes | | |
|---|----------------------|---------------------------------|-----------------------------|
| | Number of options | Weighted average exercise price | Weighted average fair value |
| At 31/12/2018 | 1,232,494 | €6.60 | €6.60 |
| Options granted | - | €6.60 | €6.60 |
| Options exercised | - | n/a | n/a |
| Options expired | (4,667) | €6.60 | €6.60 |
| At 31/12/2019 | 1,227,827 | €6.60 | €6.60 |
| Exercisable price | | €6.60 | |
| Weighted average remaining contractual life | 7.25 years | | (2018: 8.25 years) |

Share options vest 1/3 every year after the date of grant or were granted fully vested.

Options exercisable

| | Share-option Scheme | | |
|---------------|---------------------|---------------------------------|----------------------|
| | Number of options | Weighted average exercise price | Latest exercise date |
| At 31/12/2018 | 1,088,994 | €6.60 | 31-Mar-27 |
| At 31/12/2019 | 1,150,077 | €6.60 | 31-Mar-27 |

The Company recognised a charge of £223,037 related to equity-settled share-based payment transactions (2018: £228,566).

Directors' Options Outstanding

| | Share-option Schemes | | |
|----------------------|----------------------|---------------------------------|-----------------------------|
| | Number of options | Weighted average exercise price | Weighted average fair value |
| At 31/12/2018 | 155,915 | €6.60 | €6.60 |
| Options granted | - | n/a | n/a |
| Options exercised | - | n/a | n/a |
| Options expired | - | n/a | n/a |
| At 31/12/2019 | 155,915 | €6.60 | €6.60 |
| Exercisable price | | €6.60 | |

No directors were granted options during the year. Directors' options and staff options have the same exercisable and expiry dates.

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20 Related party transactions

During the year, the Company made several transactions with related parties, FinVector Oy, FKD Therapies Oy, Ferring Ventures SA (previously Trizell Holding SA), Kuopio Center for Gene and Cell Therapy Oy, Trizell GmbH and Ferring International Centre SA, which were under common control in the year. These transactions and year-end balances are summarised in the tables below:

| FinVector Oy | Income /(expense) | | Amounts receivable | | Amounts payable | |
|--|---------------------|---------------------|--------------------|-------------------|--------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | £'s | £'s | £'s | £'s | £'s | £'s |
| Research and development recharge | (21,871,657) | (19,506,213) | - | - | (1,241,144) | (2,211,894) |
| Management charge | - | - | - | - | - | - |
| Capital Loan / Working Capital Loan | - | - | 16,356,480 | 15,492,269 | (372,424) | (471,030) |
| Loan interest | 127,437.95 | 40,953.58 | 1,153,231.61 | 1,263,529.59 | (108,963) | (106,360) |
| Provision for doubtful debt (impairment) | - | - | - | (563,825) | - | - |
| Total | (21,744,219) | (19,465,260) | 17,509,712 | 16,191,974 | (1,722,531) | (2,789,284) |

| Ferring International Centre SA | Income /(expense) | | Amounts receivable | | Amounts payable | |
|---------------------------------|-------------------|-------------------|--------------------|----------|--------------------|----------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | £'s | £'s | £'s | £'s | £'s | £'s |
| Sales Income | 32,460,992 | 27,426,373 | - | - | - | - |
| Other Income | - | 10,188,121 | - | - | - | - |
| Working capital loan | - | - | - | - | (6,389,250) | - |
| Loan interest | (168,515) | - | - | - | (38,713) | - |
| Total | 32,292,477 | 37,614,494 | - | - | (6,427,963) | - |

| Trizell GmbH | Income /(expense) | | Amounts receivable | | Amounts payable | |
|-----------------------------------|-------------------|---------------|--------------------|----------|-----------------|----------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | £'s | £'s | £'s | £'s | £'s | £'s |
| Research and development recharge | - | - | - | - | - | - |
| Service charges | 21,078 | 21,239 | - | - | - | - |
| Loan interest | - | - | - | - | - | - |
| Total | 21,078 | 21,239 | - | - | - | - |

| FKD Therapies Oy | Income /(expense) | | Amounts receivable | | Amounts payable | |
|-----------------------------------|--------------------|--------------------|--------------------|----------|--------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | £'s | £'s | £'s | £'s | £'s | £'s |
| Research and development recharge | (6,298,274) | (5,935,204) | - | - | (2,195,692) | (1,608,118) |
| Service charges | - | - | - | - | - | - |
| Loan interest | - | - | - | - | - | - |
| Total | (6,298,274) | (5,935,204) | - | - | (2,195,692) | (1,608,118) |

| Trizell Holding SA | Income /(expense) | | Amounts receivable | | Amounts payable | |
|----------------------|-------------------|------------------|--------------------|----------|--------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | £'s | £'s | £'s | £'s | £'s | £'s |
| Working Capital Loan | - | - | - | - | (6,389,250) | (5,383,200) |
| Loan interest | (449,937) | (116,518) | - | - | (429,841) | (120,643) |
| Total | (449,937) | (116,518) | - | - | (6,819,091) | (5,503,843) |

| Kuopio Center for Cell and Gene Therapy Oy | Income /(expense) | | Amounts receivable | | Amounts payable | |
|--|-------------------|------------------|--------------------|--------------|-----------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | £'s | £'s | £'s | £'s | £'s | £'s |
| Research and development recharge | (119,145) | (328,579) | 117,343 | 2,014 | (11,601) | (53,514) |
| Service charges | 85,479 | - | - | - | - | - |
| Working Capital Loan | - | - | - | - | - | - |
| Loan interest | - | 6,661 | - | - | - | - |
| Total | (33,666) | (321,918) | 117,343 | 2,014 | (11,601) | (53,514) |

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20 Related party transactions (continued)

During the year the Company made transactions with another related party, Hamesman Limited, which provides key management personnel services to the company. In 2019 expenses of £1,127,467 (2018: £219,234) were incurred with Hamesman Limited of which £565,188 relate to R&D consultancy, £346,593 relate to corporate and other professional services, and £215,686 relate to pass through costs of legal and other professional services. The outstanding balance with Hamesman Limited at 31 December 2019 is £86,750 (2018: £182,696). There are no other transactions with Hamesman Limited (2018: None).

21 Contingent liabilities

The Company has a contingent milestone of €3,000,000 payable to a related party company, FKD Therapies Oy, upon the transfer of an IP from FKD Therapies Oy to Trizell Ltd.

22 The ultimate parent

The Company is a 100% subsidiary of Ferring Ventures S.A. ultimately owned by The Dr. Frederik Paulsen Foundation, being the controlling party. The smallest and largest Company to prepare financial statements which include the results of Trizell Ltd is Insula Corporation Sarl. Consolidated financial statements are available for public use at Insula Corporation Sarl from its registered office address at 7, Rue Robert Stümper, L-2557 Luxembourg, Grand Duchy of Luxembourg.