

**BIOCONTROL LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

# **BIOCONTROL LIMITED**

## **COMPANY INFORMATION**

<b>Directors</b>	Jeremy Lawrence Cumock-Cook Steve Robert Martin Paul Charles Alexander Grint (resigned 5 October 2019) Todd Robert Patrick (appointed 5 October 2019)
<b>Company secretary</b>	James Cowper Trustees Limited
<b>Registered number</b>	03452169
<b>Registered office</b>	2 Communications Road Greenham Business Park Newbury Berkshire RG19 6AB
<b>Independent auditors</b>	Bishop Fleming LLP Statutory Auditors 10 Temple Back Bristol BS1 6FL

# **BIOCONTROL LIMITED**

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## **BIOCONTROL LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

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

#### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

#### **Directors**

The directors who served during the year were:

Jeremy Lawrence Curnock-Cook  
Steve Robert Martin  
Paul Charles Alexander Grint (resigned 5 October 2019)  
Todd Robert Patrick (appointed 5 October 2019)

#### **Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## **BIOCONTROL LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **Impact of COVID-19**

During January 2020, a strain of the COVID-19 viral disease (or the "coronavirus") was reported to have surfaced in Wuhan, China. In an effort to halt the outbreak, the Chinese government placed significant restrictions on travel within China and closed certain businesses in the region, and governments and other parties outside of China have halted or sharply curtailed the movement of people, goods and services. In March 2020, the World Health Organization called the COVID-19 viral disease a pandemic and the United States has been substantially impacted by the outbreak. If the impact of the coronavirus outbreak continues for an extended period, it could materially adversely impact our clinical development activities as a result of the impacts on our employees, our manufacturing facility, our supply of critical laboratory and manufacturing materials, our clinical trial sites, access to patients in the clinical trials and additionally regulatory guidance could be delayed or impacted. At this point, we cannot accurately predict what effects these conditions will have on our business, which will depend on, among other factors, the ultimate geographic spread of the virus, the duration of the outbreak and travel restrictions and business closures imposed by the various governments.

#### **Auditors**

The auditors, Bishop Fleming LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

#### **Small companies note**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Steve Robert Martin  
**Director**

Date: 23 December 2020

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOCONTROL LIMITED**

**Opinion**

We have audited the financial statements of Biocontrol Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 United Kingdom, including the Financial Reporting Council'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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

**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 Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOCONTROL LIMITED (CONTINUED)**

**Opinion on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 1, 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.

**Auditors' 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 Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOCONTROL LIMITED (CONTINUED)

**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 Auditors' 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.

David Butler FCA (Senior Statutory Auditor)

for and on behalf of  
**Bishop Fleming LLP**

Statutory Auditors

10 Temple Back  
Bristol  
BS1 6FL

1 February 2021



**BIOCONTROL LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 £</b>	<b>2018 £</b>
Administrative expenses		<b>(10,173)</b>	(288,421)
Other operating income		<b>174,183</b>	-
<b>Operating profit/(loss)</b>	<b>4</b>	<b>164,010</b>	(288,421)
<b>Profit/(loss) for the financial year</b>		<b>164,010</b>	(288,421)

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 9 to 14 form part of these financial statements.

**BIOCONTROL LIMITED**  
**REGISTERED NUMBER: 03452169**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

Note		2019 £	2018 £
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	1,132	1,137
Cash at bank and in hand	8	2,216	2,384
		<u>3,348</u>	<u>3,521</u>
Creditors: amounts falling due within one year	9	(4,619,570)	(4,783,753)
<b>Net current liabilities</b>		(4,616,222)	(4,780,232)
<b>Total assets less current liabilities</b>		(4,616,222)	(4,780,232)
<b>Net liabilities</b>		<u>(4,616,222)</u>	<u>(4,780,232)</u>
<b>Capital and reserves</b>			
Called up share capital	11	231,311	231,311
Share premium account	12	3,515,662	3,515,662
Profit and loss account	12	(8,363,195)	(8,527,205)
		<u>(4,616,222)</u>	<u>(4,780,232)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

**Steve Robert Martin**  
Director

Date: 23 December 2020

The notes on pages 9 to 14 form part of these financial statements.

**BIOCONTROL LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2019	231,311	3,515,662	(8,527,205)	(4,780,232)
Profit for the year	-	-	164,010	164,010
<b>At 31 December 2019</b>	<u>231,311</u>	<u>3,515,662</u>	<u>(8,363,195)</u>	<u>(4,616,222)</u>

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

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2018	231,311	3,515,662	(8,238,784)	(4,491,811)
Loss for the year	-	-	(288,421)	(288,421)
<b>At 31 December 2018</b>	<u>231,311</u>	<u>3,515,662</u>	<u>(8,527,205)</u>	<u>(4,780,232)</u>

The notes on pages 9 to 14 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. General information**

The company is a limited liability company, incorporated in England and Wales. The company's registered office is 2 Communications Road, Greenham Business Park, Greenham, Newbury, RG19 2AB. The company's principal place of business is 4503 Glencoe Ave Marina Del Rey CA 90292. The company was principally engaged in research and development.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Financial reporting standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of AmpliPhi Biosciences Corporation as at 31 December 2019 and these financial statements may be obtained from the registered office.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

**2. Accounting policies (continued)**

**2.3 Going concern**

Notwithstanding net liabilities of £4,616,222 the directors consider the company to be a going concern as it has the financial support of its ultimate parent company, Armata Pharmaceuticals, Inc.

However the directors acknowledge that there are uncertainties regarding the ability of the ultimate parent company to continue to provide this support. It has incurred losses since inception, has negative operating cash flows and had an accumulated deficit of \$138m as of 31 December 2018 and an accumulated deficit as of 31 December 2019 of \$158m. As of 31 December 2019, the Armata Pharmaceuticals, Inc had cash and cash equivalents of \$6.0 million. On January 27, 2020, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with Innoviva, Inc ("Innoviva"), pursuant to which the Company agreed to issue and sell to Innoviva, in a private placement, up to 8,710,800 newly issued shares of common stock of the Company and warrants to purchase up to 8,710,800 shares of common stock, with an exercise price per share of \$2.87 (the "Private Placement"). Each share of common stock is sold together with one common warrant (collectively, a "Common Unit"), and the per Common Unit purchase price was \$2.87. The Private Placement will be completed in two separate closings, with the first closing completed in February 2020, raising gross proceeds of \$2.8m, and the second closing for additional gross proceeds of \$22.2m in March 2020. The cash balance stood at \$15.9m as at 30 September 2020. As such, the directors are comfortable that there is sufficient financial support available from its ultimate parent company.

**2.4 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

**2.5 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.6 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

**2. Accounting policies (continued)**

**2.7 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.8 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.9 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**2.10 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

**BIOCONTROL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

Given the straightforward nature of the company's trading there are not considered to be any significant judgments in applying accounting policies.

**4. Operating profit/(loss)**

The operating profit/(loss) is stated after charging:

	2019 £	2018 £
Exchange differences	<u>(174,183)</u>	<u>253,811</u>

**5. Auditors' remuneration**

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>3,250</u>	<u>4,250</u>

**6. Employees**

The Company has no employees other than the directors, who did not receive any remuneration (2018 - £NIL).

The average monthly number of employees, including the directors, during the year was as follows:

2019 No.	2018 No.
<u>0</u>	<u>0</u>

**7. Debtors**

	2019 £	2018 £
Other debtors	<u>1,132</u>	<u>1,137</u>
	<u>1,132</u>	<u>1,137</u>

**BIOCONTROL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**8. Cash and cash equivalents**

	2019 £	2018 £
Cash at bank and in hand	2,216	2,384
	<u>2,216</u>	<u>2,384</u>

**9. Creditors: Amounts falling due within one year**

	2019 £	2018 £
Trade creditors	6,600	-
Amounts owed to group undertakings	4,609,070	4,778,253
Accruals and deferred income	3,900	5,500
	<u>4,619,570</u>	<u>4,783,753</u>

**10. Financial instruments**

	2019 £	2018 £
<b>Financial assets</b>		
Cash and cash equivalents	<u>2,216</u>	<u>2,384</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(4,619,570)</u>	<u>(4,783,753)</u>

Financial liabilities measured at amortised cost comprise trade and intercompany payables, and accruals and deferred income.

**11. Share capital**

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
23,131,091 (2018 - 23,131,091) Ordinary shares of £0.01 each	<u>231,311</u>	<u>231,311</u>



**BIOCONTROL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**12. Reserves**

**Share premium account**

This represents the premium above the nominal value of shares in issue.

**Profit & loss account**

This represents the cumulative deficit of the company.

**13. Share based payments**

Options to purchase shares in the ultimate parent company, Armata Pharmaceuticals, Inc, have previously been granted to certain employees of Biocontrol Limited. The value of these options has been calculated by the ultimate parent company. No amount has been included in these financial statements as the charge is not material. Further details of the method and assumptions used are available in note 11 to the financial statements of Armata Pharmaceuticals, Inc.

**14. Related party transactions**

The company is exempt from disclosing transactions with the parent company, Armata Pharmaceuticals, Inc, under the provisions of FRS102 section 33.

**15. Controlling party**

At the year end the company's immediate parent company was Sheffield Acquisitions Inc and the ultimate parent company was . Both companies are registered in the USA.

Armata Pharmaceuticals, Inc was the parent of both the smallest and largest groups for which group accounts including Biocontrol Limited are prepared. These accounts are publicly available.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.