REGISTERED NUMBER: 04026469 (England and Wales)

VECTURA DELIVERY DEVICES LIMITED

04026469

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS:	P Fry W Downie
COMPANY SECRETARY:	J Murphy
REGISTERED OFFICE:	One Prospect West Chippenham Wiltshire SN14 6FH United Kingdom
REGISTERED NUMBER:	04026469 (England and Wales)
AUDITOR:	KPMG LLP 15 Canada Square London E14 5GL United Kingdom
PRINCIPAL BANKER:	Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5HP United Kingdom

PRINCIPAL ACTIVITY

The principal activity of the Company, following the change in Group's strategy towards to become a contract development and manufacturing organisation (CDMO), is that of development services with specialisation in device development. Vectura Delivery Devices Limited (the "Company") is a wholly-owned subsidiary of Vectura Group plc ("Vectura" or the "Group") which is the smallest and largest entity to consolidate the Company's results. The Company's immediate parent undertaking is Vectura Group Investments Limited.

The Directors present their strategic report for the year ended 31 December 2020.

BUSINESS REVIEW

The Company's key financial performance indicators for the year ended 31 December are as follows:

	2020	2019 Restated*	% movement
	£m	£m	
Revenue	**14.3**	7.3	95.9%
Cost of sales	**(2.1)**	(1.4)	50.0%
Research and development expenditure	**(3.7)**	(3.7)	—
Operating profit	**6.8**	0.4	n/m
Profit after tax	**6.5**	0.5	n/m
Net assets	**8.0**	1.5	n/m

*Comparative expenses have been restated due to a voluntary change in accounting policies, to reclassify certain costs from research and development expenses to general and administrative expenses. There was no impact from the voluntary change on gross profit or operating profit before exceptional items, amortisation and impairment. Refer to note 4 "Voluntary change in accounting policy" for further details.

Revenue

Revenue comprises: royalties and other marketed revenue, development services and product supply revenue.

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Revenue by category:		
Product supply revenue	**1.6**	1.6
Royalties and other marketed revenues	**8.7**	1.7
Development services	**4.0**	4.0
Total revenue	**14.3**	7.3

In December 2020, the approval of VR315 (US), generic Advair® programme partnered with Hikma triggered milestones of $11.0m (£8.1m), of which $8.8m (£6.5m) is attributable to the Company with the remainder attributable to a fellow Group subsidiary. Associated royalties are projected to start in 2021.

Royalty revenue of £8.7m (2019: £1.7m) also includes £2.2m royalties from the Company's share of net sales by Sandoz of AirFluSal® Forspiro®.

The Company also earned £4.0m (2019: £4.0m) of revenues from development services. These are project-related and hence revenue is dependent on the timing of the activities in the underlying arrangements pursuant to the stage of each development.

The Company earned £1.6m (2019: £1.6m) of revenue from the supply of GyroHaler® and GyroPLUS® device components to Sandoz for use in the AirFluSal® and AirBuFo® Forspiro® products. Costs to generate this revenue are reported as Cost of sales.

Cost of sales

Cost of sales consist of costs to deliver product supply revenues and some development services provided to fellow Group subsidiaries in relation to CDMO contracts with customers. The increase to £2.1m (2019: £1.4m) is due to the increase in work on these CDMO contracts.

Research and development ("R&D") expenditure

R&D expenses of £3.7m remained flat versus the prior year (2019: £3.7m).

Following a voluntary change in accounting policy, support function costs, including HR, Finance and IT, which were previously considered as dedicated to R&D, are now included within G&A costs reflecting that these functions are now supporting a broader range of activities across the organisation. Costs for 2019 have been restated in line with this new policy. Refer to note 4 of the financial statements.

Operating profit

The Company has reported operating profit of £6.8m, largely driven from the recognition of the milestone revenue from the approval of VR315 (US), generic Advair® programme partnered with Hikma. The development services revenue was also increased offset by higher R&D expenditure and lower revenue recognised in relation to the collaborative arrangement with Hikma, reflecting the degree of progress made towards completing the second performance obligation being the provision of development services on the Company's Open-Inhale-Close device.

Profit after tax

The Company's profit after tax of £6.5m has increased from a profit of £0.5m in 2019 largely as a result of the recognition of the milestone revenue from the approval of VR315 (US), generic Advair® programme partnered with Hikma.

Net assets

Net assets of £8.0m (2019: £1.5m) increased in line with the profit reported for year.

External borrowings

The Company has no external borrowings (2019: nil), other than lease liabilities.

PRINCIPAL RISKS AND UNCERTAINTIES

The pharmaceutical sector is inherently risky and there are a variety of risks and uncertainties affecting the Company's business. As a member of the Vectura Group, the Company is directly exposed to a variety of risks which are either specific to the Company or are directly or indirectly applicable to the operations of the Company. Risks are identified and mitigated at Group level, with the following risks being deemed applicable to the Company:

- Failure to be able to offer robust, differentiated technologies, which meet present and future customer needs.
- Failure of co-development partners to deliver on their obligations
- Inability to deliver inhaled CDMO market share, revenue growth and profitability expectations.
- Failure to generate sufficient financial returns from CDMO contracts, to lose new future or repeat business or to suffer reputational damage.
- Failure to protect critical and sensitive data and systems
- Failure to attract or retain talent/key personnel
- Failure to protect intellectual property
- Disruption due to COVID-19
- Changes in the regulatory, operating or pricing environment

For full details of the risk's and the Group's approach to risk management, see the Group's Consolidated Annual Report and Accounts strategic report section entitled *Risk Management and Principal Risks.*

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a number of financial risks as detailed below. The Company is funded principally through intercompany arrangements.

Currency risk: Exposure arises from foreign currency-denominated trading transactions which are not hedged. Such currency exposure is reduced, where possible, by matching foreign currency revenues with expenditure in the same foreign currency.

Credit risk: The Company is exposed to credit risk through its operating activities, including trade receivables and from its investing activities, including bank deposits. The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history and existing market conditions as well as forward-looking estimates at the end of each reporting period.
There were no impairment losses recognised in profit and loss in the year and the expected credit losses are immaterial.

Liquidity risk: Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the Company. The Company's policy is to maintain continuity of funding through available cash and cash equivalents.

This Strategic report has been approved and signed on behalf of the Board:

P. A. Fry
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Paul Fry

Director
18 June 2021

The Directors present their report on the affairs of the Company, together with the audited financial statements for the year ended 31 December 2020.

GOING CONCERN

The Company made a profit of £6.5m for the year ended 31 December 2020 (2019: £0.5m) and has net assets of £8.0m as at 31 December 2020 (31 December 2019: £1.5m). The increase in profit is primarily driven by the recognition of the approval milestone for VR315 (US), the generic Advair® programme partnered with Hikma. Additionally, it will contribute substantial future royalties projected to start flowing in 2021. Furthermore, the development of the GSK Ellipta® portfolio with Hikma is progressing and the constraint of the second milestone is expected to be released within 12 months from approval of these financial statements. The Company specialises in devices development from which it expects to continue generating a positive return in the medium to long term.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the reasons below.

The directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its working capital arrangement with a fellow affiliate Group company, Vectura Limited, and in downside cases funding from other Vectura Group companies to meet its liabilities as they fall due for that period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The transition period of the UK leaving the European Union, under the Withdrawal Agreement Act 2020, ended on 31 December 2020. The UK has reached a trading agreement with the EU and non-EU countries. The Company experienced no material impact of the UK leaving the European Union in 2020 and does not foresee significant ongoing impact.
In addition, whilst COVID-19 has not to date had any significant impact on the Company's performance, it has been considered as part of the stress testing scenarios of the going concern model.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 18 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2019: nil).

DIRECTORS

The Directors who held office during the year were as follows:

P Fry
W Downie (appointed on 5 February 2020)
J Murphy (resigned on 5 February 2020)

The ultimate parent company has granted an indemnity to its Directors against liability in respect of any proceedings brought by third parties, which remains in force as at the date of approving the Directors' Report. All costs in relation to the Directors' remuneration are met by other entities within the Group. The Directors do not receive any remuneration for services provided to the Company.

AVERAGE NUMBER OF EMPLOYEES

The Company's average number of employees for the year was 25 (2019: 20).

POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations were made (2019: nil).

INFORMATION PROVIDED TO THE AUDITOR

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

AUDITOR

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

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

P. A. Fry

Paul Fry
Director
18 June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VECTURA DELIVERY DEVICES LIMITED

Opinion

We have audited the financial statements of Vectura Delivery Devices Limited ("the Company") for the year ended 31 December 2020 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VECTURA DELIVERY DEVICES LIMITED (CONTINUED)

Fraud and breaches of laws and regulations – ability to detect (continued)

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account combinations.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: regulations relating to the manufacture and research of pharmaceuticals, intellectual property, health and safety, anti-bribery, employment law, and certain aspects of company legislation recognising the nature of the Company's activities and its legal form Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VECTURA DELIVERY DEVICES LIMITED (CONTINUED)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Adrian Wilcox (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

United Kingdom

18 June 2021

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £m	2019 Restated* £m
Revenue	5	**14.3**	7.3
Cost of sales		**(2.1)**	(1.4)
Gross Profit		**12.2**	5.9
Research and development expenses		**(3.7)**	(3.7)
General and administrative expenses		**(1.8)**	(2.0)
Other income	6	**0.1**	0.2
Operating profit		**6.8**	0.4
Finance expense		**—**	(0.1)
Profit before tax		**6.8**	0.3
Net tax (charge)/credit	9	**(0.3)**	0.2
Profit/(loss) for the financial year		**6.5**	0.5

All results are derived from continuing operations and are attributable to the parent.

There were no differences between the income statement result for the year and total comprehensive income, therefore a separate statement of other comprehensive income has not been disclosed.

*Comparative expenses have been restated due to a voluntary change in accounting policies, to reclassify certain costs from research and development expenses to general and administrative expenses. There was no impact from the voluntary change on gross profit or operating profit before exceptional items, amortisation and impairment. Refer to note 4 "Voluntary change in accounting policy" for further details.

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2020

	Note	2020 £m	2019 £m
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2.4**	3.0
Deferred tax asset	9	**0.2**	0.3
Total non-current assets		**2.6**	3.3
Current assets			
Trade and other receivables	12	**6.9**	2.0
Inventories	11	**0.7**	0.4
Cash and cash equivalents		**0.1**	—
Total current assets		**7.7**	2.4
Total assets		**10.3**	**5.7**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	**(0.7)**	(2.2)
Borrowings	14	**(0.3)**	(0.3)
Total current liabilities		**(1.0)**	(2.5)
Non-current Liabilities			
Borrowings	14	**(1.1)**	(1.4)
Provisions	15	**(0.2)**	(0.3)
Total non-current liabilities		**(1.3)**	(1.7)
Total liabilities		**(2.3)**	(4.2)
NET ASSETS		**8.0**	1.5
SHAREHOLDERS' EQUITY			
Called up share capital	16	**3.5**	3.5
Retained earnings		**4.5**	(2.0)
Total shareholders' equity		**8.0**	1.5

The accompanying notes form part of these financial statements.

These financial statements of Vectura Delivery Devices Limited, registered Company number 04026469, were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

P. A. Fry

P Fry
Director
18 June 2021

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Retained (losses)/ earnings	Total equity
	£m	£m	£m
At 1 January 2019	**3.5**	**(2.5)**	**1.0**
Profit for the year	—	0.5	0.5
At 31 December 2019	**3.5**	**(2.0)**	**1.5**
Profit for the year	—	6.5	6.5
At 31 December 2020	**3.5**	**4.5**	**8.0**

The accompanying notes form an integral part of these financial statements.

1. General information

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

These financial statements are presented in pounds sterling rounded to the nearest £0.1m. The presentational and functional currency is sterling being the primary currency of the UK economic environment in which the Company operates.

These financial statements are separate financial statements. The smallest and largest group to consolidate Vectura Limited is Vectura Group plc. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the Group accounts of Vectura Group plc.

2. Basis of preparation

The Company prepares its financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRS") but has excluded certain information as permitted by FRS 101-Reduced Disclosure Framework.

These financial statements, which are prepared using the historical cost convention and on a going concern basis, are prepared in accordance with FRS 101-Reduced Disclosure Framework and with UK accounting presentation under the Companies Act 2006 as at 31 December 2020, with comparative figures as at 31 December 2019.

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

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

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

- Disclosure requirements of IFRS 15 - Revenue from Contracts with Customers
- Disclosure requirements of IFRS 16 - Leases
- IFRS 2 - Share Based Payments in respect of Group settled share based payments
- The disclosures required by IFRS 7 - Financial Instrument Disclosures

Measurement convention

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

Going concern

The Company made a profit of £6.5m for the year ended 31 December 2020 (2019: £0.5m) and has net assets of £8.0m as at 31 December 2020 (31 December 2019: £1.5m). The increase in profit is primarily driven by the recognition of the approval milestone for VR315 (US), the generic Advair® programme partnered with Hikma. Additionally, it will contribute substantial future royalties projected to start flowing in 2021. Furthermore, the development of the GSK Ellipta® portfolio with Hikma is progressing and the constraint of the second milestone is expected to be released within 12 months from approval of these financial statements. The Company specialises in devices development from which it expects to continue generating a positive return in the medium to long term.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the reasons below.

The directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its working capital arrangement with a fellow affiliate Group company, Vectura Limited, and in downside cases funding from other Vectura Group companies to meet its liabilities as they fall due for that period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The transition period of the UK leaving the European Union, under the Withdrawal Agreement Act 2020, ended on 31 December 2020. The UK has reached a trading agreement with the EU and non-EU countries. The Company experienced no material impact of the UK leaving the European Union in 2020 and does not foresee significant ongoing impact.
In addition, whilst COVID-19 has not to date had any significant impact on the Company's performance, it has been considered as part of the stress testing scenarios of the going concern model.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 18 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Foreign currency
Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

New Accounting Standards adopted in this period

There are a number of amendments to accounting standards that became applicable for annual reporting periods commencing on or after 1 January 2020, but they do not currently have a material effect on the Company's financial statements:

(a) Definition of Material – Amendments to IAS 1 and IAS 8

(b) Definition of a Business – Amendments to IFRS 3

(c) Revised Conceptual Framework for Financial Reporting

(d) Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

(e) COVID-19-Related Rent Concessions – Amendments to IFRS 16

Details about future material changes to accounting policies are provided in note 29 to the Group's Annual Report.

Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, Directors are required to make judgements, estimates and assumptions, in accordance with IFRS, that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates. The impact of COVID-19 on all accounting areas of judgement and estimation has been considered and no additional critical areas have been identified as a result of the ongoing pandemic.

The critical accounting judgements and key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities have been identified as:

Applying IFRS 15 - Revenue from Contracts with Customers to long-term collaborative agreements

Collaborative development and marketing agreements which license the Company's technology and intellectual property (IP) can and do have unique terms spanning multiple reporting periods. Consequently, the accounting judgements required to apply IFRS 15 to each such agreement can differ significantly.

The critical accounting judgements relate to all collaborative development agreements with performance obligations outstanding at the transition date and all future similar agreements signed. At present, the agreements relevant to the following IFRS 15 judgements outlined below is Hikma (generic of GSK Ellipta® products). The Company is responsible for device development, while a fellow Group subsidiary is responsible for formulation development aspects of this contract.

(a) Assessment of contract existence criteria

A contract with a customer is in the scope of the standard when it is legally enforceable, the contract is approved and both parties are committed to their obligations. An agreement often provides a customer with an option to acquire additional services on the basis of success based fees. Judgement is required to determine the extent to which the Company or the customer is committed to these services throughout the service period, before a successful outcome is assured. This has been applied to the agreement with Hikma to develop generic versions of GSK's Ellipta® portfolio.

Hikma also has the option to acquire future formulation and process development services for up to five products on success-based terms specified in the agreement. The threshold for these five products to be considered as revenue contracts under IFRS 15, that is, receipts of revenue being considered as being probable, has not yet been reached and therefore no revenue has been recognised, to date. The associated expenses under the agreement have been treated as co-development R&D expenses.

(b) Whether a licence to the Company's intellectual property is a separate distinct performance obligation

A licence granted by the Company usually provides the partner with a right to use, but not to own, the IP related to a development. A licence is capable of being distinct from development services if, regardless of contractual terms, it could be sold separately in which case revenue is recognised at the grant date (point in time) as applicable to the OIC device licence for the generic GSK Ellipta® portfolio with Hikma.

(c) Allocation of the transaction price based on standalone selling prices at contract inception

For collaborative agreements containing multiple performance obligations, the Company must determine the standalone selling price identified on inception of the contract. Once these have been determined, these are not subsequently amended. The key assumptions used to determine the standalone selling price include forecast revenues, the cost of satisfying the obligation, development timelines and probabilities of technical, regulatory and commercial success.

Revenue recognition

The recognition of revenue and the capitalisation of research and development expenditure are areas that require significant judgement in applying IFRS for medium sized pharmaceutical entities involved in collaborative developments.

The Company enters into a wide variety of collaborative agreements with partners which may span several reporting periods, and involve multiple revenue streams. Significant judgement is often required in assessing the obligations under such contracts and the revenue and costs that are applicable to be allocated to each reporting period. Variable consideration includes the estimate of payments in the form of contingent development-related and regulatory approval milestones. These milestones are included in the transaction price when the most likely outcome is that they will be received. Once this is established, the entire transaction price is constrained to the extent that it is highly probable that a significant reversal of revenue will not occur in future periods. The estimate is reassessed for each reporting period.

At a Group level, the initial transaction price for the development of the generic GSK Ellipta® portfolio with Hikma has been assessed at contract inception in 2018 as $20.0m, which includes a second $5.0m milestone due on completion of the device development services. As at the 2020 balance sheet date, the second milestone has been excluded from the transaction price and continues to be constrained (i.e. not recognised) until completion is considered highly probable. If the $5.0m milestone constraint had been released in 2020, the full amount would have been recognised in revenue in 2020. The constraint is expected to be released in 2021. The Company is party to a substantial element of the revenue arising from this contract, as are other fellow Group affiliate companies.

For royalty income, judgement is exercised as management are not directly responsible for the sale of the product to the market they prepare an estimate of the level of royalties to be earned and compare this to external sales data reported by partners and royalty statements received. The recognition of income from non-recurring milestones requires an assessment of the Company's future obligations under the applicable contract, such as when development or sales targets have been met, to determine the most suitable revenue recognition profile.

3. Significant accounting policies

Revenue

Royalties and other marketed revenues
Royalties and other marketed revenues are generated from partners licensing the Company's products in return for a share of the partner net product sales. Where a licence of intellectual property is the predominant item to which a royalty relates, revenues are recognised at the point in time the partner makes a sale. Other marketed revenues primarily include sales or usage based milestones for which revenue is recognised consistently with royalties as stated above.

Development revenues
Revenues related to development stage programmes are allocated to the following performance obligations as applicable:

(a) Licence to the Company's intellectual property
A licence granted by the Company usually provides the partner with a right-to-use, but not to own, the IP related to a development that has not yet received regulatory approval as it exists at contract inception. A licence is capable of being distinct from development services if, regardless of contractual terms, it could be sold separately as it exists at the point in time it was granted. The timing of revenue recognised from a licence of intellectual property depends on whether:

- the licence is capable of being distinct (i.e. could be sold separately as it exists at the point in time it was granted). In this case revenue is recognised when control is transferred, normally at contract inception; or

- the licence is not capable of being distinct and therefore, the customer cannot benefit from the value of purchasing it without the provision of additional services from Vectura. In this instance, revenue is recognised as those services accrue.

(b) Development services
Revenue from a contract to provide development services is recognised by reference to the stage of completion of the contract. Stage of completion is estimated by either completion of relevant milestones or proportion of estimated hours for work performed to date, as appropriate.

Product supply
The Company generates revenues from the sale of devices manufactured by third-party suppliers, to commercial distribution partners. Whilst these products are primarily manufactured by third party suppliers contracted by the Company, the Company is contractually obliged to supply these products and, therefore, acts as the principal in these transactions. Control is transferred and revenue is recognised at the point in time when the product is invoiced to the commercial distribution partner and is made available for collection at a designated area specified in the framework agreement.

Research and development ("R&D") expenses

R&D comprises activities performed in relation to the Group's and Company's own intellectual property (IP) and technology platforms, or as part of a co-development programme where the risks, costs and rewards are materially shared with a third party. The expenses include internal employee costs, indirectly attributable labour costs and external costs, for example procurement and facilities allocations, depreciation of R&D facilities, including R&D sites, and applicable third-party service costs. With the change in strategy, R&D is no longer the primary activity of the Group or the Company.

These expenses are recognised on an accruals basis in the year in which they are incurred.

Other income

Other income relates to government grants for qualifying UK R&D under the Research and Development expenditure credit ("RDEC") scheme for large companies. Such grants are taxable and are presented as other income in the Income Statement.

Taxation

The net taxation charge on the profit for the year includes current and deferred tax. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received using tax rates enacted at the reporting date.

Deferred taxation is recognised on all temporary differences arising between the local tax bases of assets and liabilities and their carrying amounts in the Company's financial statements. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Property, plant and equipment ("PP&E")

PP&E is initially recognised at cost with depreciation subsequently applied evenly over its estimated life less any residual value. PP&E is depreciated on a straight-line basis over the estimated useful lives, as follows:

- Land and Buildings – 20 to 50 years
- Laboratory and supply chain equipment – 3 to 10 years
- Right-of-use assets – 5 to 10 years

No depreciation is provided on freehold land or assets under construction. On disposal of PP&E, the carrying value, less any proceeds, is recognised in the income statement.

Financial Instruments

For the purposes of recognition and measurement financial assets are classified into one of these categories:

- Trading activities: Assets that are held for collection of contractual trading cash flows are measured at amortised cost. A gain or loss is recognised in the income statement only when the asset is derecognised or impaired. Interest income is included in finance income using the effective interest rate method if applicable.

- Financial assets held for future sale: Assets that are held for collection of contractual cash flows and for selling the financial assets are measured at fair value through other comprehensive income ("FVOCI").

In instances where the financial asset meets neither category, they are measured at fair value through profit and loss ("FVTPL"). Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their invoice amount as interest is not applicable to the contract.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

Provisions

Provisions are liabilities where the exact timing and amount of the obligation is uncertain. Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, when an outflow of resources is probable to settle the obligation and when an amount can be reliably estimated.

Where the time value of money is material, provisions are discounted to current values using appropriate rates of interest. The unwinding of the discounts is recorded in net finance income or expense.

Share-based payments

The Group operates a number of employee equity-settled share-based compensation plans as part of its Reward Strategy. The Company's employees are eligible for these plans. Equity-settled share-based payments are measured at fair value at the date of grant. In the case of awards with a non- market performance, their fair value is adjusted each reporting period for the likelihood of the number shares that will ultimately vest.

The fair value determined at the grant date of the awards are expensed over the vesting period based on the Group's estimate of awards that will eventually vest. The cost of equity-settled share transactions is recognised, together with a corresponding increase in Group's equity, over the vesting period.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: an identified physically distinct asset can be identified; the Company has the right to obtain substantially all of the economic benefits from the asset throughout the period of use; and has the ability to direct the use of the asset over the lease term being able to restrict the usage of third parties as applicable.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. These are calculated as follows:

Lease liabilities
Lease liabilities are measured at the present value of the remaining lease payments, discounted at an applicable incremental borrowing rate, which are obtained from a financial institution privy to the facts, circumstances, location, security and term of each lease liability.

Non-lease service charges are combined into property leases, which are treated as a single lease component. The effective interest method will be used for calculating the amortised cost of a finance lease and allocating interest income over the relevant period on a lease by lease basis.

Under IFRS 16, liabilities for future periods that can be cancelled by exercising a break clause are not to be included in the lease liability unless it is reasonably certain at the reporting date that the Company will extend the committed lease term and not exercise the break clause.

Right-of-use assets
Right-of-use assets will be measured at an amount equal to the lease liability, except where there is considered to be a significant difference between the lease liability and the asset value calculated as though IFRS 16 had always been applied.

Extension options
At the reporting date, the Company is exposed to future cash outflows that are not reflected in the measurement of lease liabilities. This includes exposure arising from extension options. The Company has included extension options in the Chippenham lease to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses whether it is reasonably certain to exercise the extension options if there is a significant event or significant changes in circumstances within its control. It is currently assumed that the extension option is not exercised.

4. Voluntary change in accounting policy

Reclassification of expenses from research and development to general and administrative

In the context of the new Contract Development and Manufacturing Organisation (CDMO) strategy, management has reviewed the presentation of the income statement and considered whether it continues to provide relevant and reliable information to stakeholders. It was concluded that there should be an update to how certain expenses were classified and therefore the Company is voluntarily changing its accounting policy for expense classifications for research and development (R&D) expenses and general and administrative (G&A) expenses (previously referred to as corporate costs and marketing expenses).

Under the prior year accounting policy, expenses which were considered to be dedicated to progressing or supporting R&D activities were reported as R&D expenses. Under this definition support costs, including for example those Finance, HR or IT costs that were considered dedicated to R&D, were reported as R&D expenses. This approach was consistent with the primary activity of the Company, which was the research and development of proprietary therapies or the co-development of pharmaceutical products, where the risks, costs and rewards of development were materially shared with partners. With the change in strategy, R&D is no longer the primary activity of the Company and therefore the expense classifications should more accurately reflect the change towards a CDMO model. These changes are intended to improve the relevance of the Company's financial statements in the context of the change in strategy, enabling users of the accounts to better interpret performance versus CDMO peers.

This change in accounting policy has been accounted for retrospectively and the comparative information has been restated. The restatement has no overall impact on gross profit and operating profit. The effect of the change is shown in the table below for 2019:

	2019 As reported £m	Change in accounting policy £m	2019 Restated £m
Revenue	**7.3**	**—**	**7.3**
Cost of sales	(1.4)	—	(1.4)
Gross profit	**5.9**	**—**	**5.9**
Research and development expenses	(4.2)	0.5	(3.7)
General and administrative expenses	(1.5)	(0.5)	(2.0)
Other income	0.2	—	0.2
Operating profit	**0.4**	**—**	**0.4**

The new accounting policy for the research and development expenses are as follows:

Research and development expenses

R&D comprises activities performed in relation to the Company's own intellectual property (IP) and technology platforms, or as part of a co-development programme where the risks, costs and rewards are materially shared with a third party. The expenses include internal employee costs, indirectly attributable labour costs and external costs, for example procurement and facilities allocations, depreciation of R&D facilities, including R&D sites, and applicable third-party service costs.

These expenses are recognised on an accruals basis in the year in which they are incurred.

General and administrative expenses (previously corporate costs and marketing expenses)

General and administrative expenses represent shared costs incurred in managing the activities of the Group; these include indirect overhead costs, administrative support costs for the Group including employee costs and external costs of HR, IT, Legal (including the registration and maintenance of intellectual property), and Finance, Head Office costs, and associated depreciation and utility costs.

These expenses are recognised on an accruals basis in the period in which they are incurred.

5. Revenue

Revenue by category and customer location are presented below:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Revenue by category:		
Product supply revenue	**1.6**	1.6
Royalties and other marketed revenues	**8.7**	1.7
Development services	**4.0**	4.0
Total revenue	**14.3**	7.3
Revenue by customer location:		
United States of America	**8.2**	2.8
Rest of Europe (excluding UK)	**6.1**	4.5
Total revenue	**14.3**	7.3

The Company earned £1.6m (2019: £1.6m) of revenue from the supply of GyroHaler® and GyroPLUS® device components to Sandoz for use in the AirFluSal® and AirBuFo® Forspiro® products.

Royalties and other marketed revenues include milestone revenues of £6.5m triggered for the approval of generic Advair® (VR315 (US)) partnered with Hikma, in December 2020. The remaining £2.2m (2019: £1.7m) is related to royalties from the Company's share of net sales by Sandoz of AirFluSal® Forspiro®.

The Company also earned £4.0m (2019: £4.0m) of revenues from development services. Revenue of £1.7m (2019: £2.8m) has been recognised relating to the collaborative arrangement with Hikma signed in November 2018 to develop generic versions of GSK's Ellipta® portfolio; reflecting the degree of progress made towards completing the second performance obligation being the provision of development services on the Company's Open-Inhale-Close device. The remaining £2.3m (2019:£1.2m) is related to development services towards other companies of the Group.

6. Other income

The Company will claim R&D Expenditure Credits ("RDEC") of £0.1m in the year ended 31 December 2020 alongside the tax return filing process (2019: £0.2m). As these credits are subject to corporation tax they are presented as other income. Other than HMRC's acceptance of the tax return, there are no unfulfilled conditions or other contingencies attaching to this income.

7. Employees

The average number of employees during the period was as follows:

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Restated Number
R&D services	**25**	19
Business development and support services	**—**	1
Average number of employees	**25**	20

The above employee data includes staff employed on fixed term contracts to assist with the delivery of integration initiatives, as well as covers for maternity, paternity and illness.

The aggregate remuneration of employees comprised:

	Year ended 31 December 2020	Year ended 31 December 2019
	£m	£m
Wages and salaries	**1.4**	1.1
Social security costs	**0.2**	0.1
Other pension benefits and associated costs	**0.1**	0.1
Employee costs	**1.7**	1.3

Employee share plans are excluded from this disclosure as they do not solely relate to payments made for employments services in each period presented.

Directors' remuneration

Aggregate Directors' remuneration can be found in the Group accounts as referenced in note 31. The table below represents the portion of Directors' remuneration attributable to services provided to the Company.

Aggregate remuneration	**2020**	2019
	£m	£m
Short-term employee benefits	**0.1**	0.1
Annual incentive plan	**0.1**	0.1
Employee costs	**0.2**	0.2

There were no retirement benefits accrued for the Directors in the financial year (2019: nil). The aggregate remuneration of the highest paid director in relation to services provided to the Company was £0.1m (2019: £0.1m).

The Company's share capital is 100% owned by Vectura Group Investments Limited and therefore the Directors do not have interest, nor options, over the company's shares.

8. Auditor's remuneration

Fees payable to the Company's auditor services pursuant to these accounts were £35,000 (2019): £35,000). No non-audit or other services were performed in relation to Vectura Delivery Devices Limited.

9. Taxation

The Company's Effective Tax Rate is a 4.4% charge (2019: 66.7% credit).

The UK tax Group is able to claim the research and development expenditure credit ("RDEC") for large enterprises. The credit under this scheme is subject to UK corporation tax and therefore is included within profit before taxation and presented as other income. R&D tax credits shown within taxation for this period relate to adjustments to prior year claims under the SME regime.

The charge for the year can be reconciled to the profit before tax as follows:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Profit/(loss) before tax	**6.8**	0.3
Profit/(loss) before tax multiplied by standard rate of UK corporation tax of 19% (2019: 19%)	**(1.3)**	(0.1)
Effects of:		
Group relief utilised	**1.0**	0.1
Other permanent differences	**0.1**	0.1
Deferred tax	**(0.1)**	0.1
Total tax charge/(credit) for the year	**(0.3)**	0.2

The March 2020 Budget announced that the previously enacted UK corporation tax rate reduction to 17% would no longer come into effect and that the 19% UK corporation tax rate would be maintained. The March 2021 Budget announced the intention to increase the rate of UK corporation tax to 25% from April 2023 from the current corporation tax rate of 19%. The corporation tax rate change has not been substantively enacted at the reporting date and is not expected to materially impact the financial statements.

Deferred taxation

The Company recognises a deferred tax asset of £0.2m in the period (2019: £0.3m).

10. Property, plant and equipment

	Freehold land and buildings £m	Laboratory equipment £m	Assets under construction £m	Total £m
Costs as at 1 January 2020	**2.0**	**5.0**	**0.4**	**7.4**
Additions	—	0.1	—	0.1
Reclassification	—	0.4	(0.4)	—
Costs as at 31 December 2020	**2.0**	**5.5**	**—**	**7.5**
Depreciation as at 1 January 2020	(0.3)	(4.1)	—	(4.4)
Charge for the year	(0.3)	(0.4)	—	(0.7)
Depreciation as at 31 December 2020	**(0.6)**	**(4.5)**	**—**	**(5.1)**
Net Book value as at 31 December 2020	**1.4**	**1.0**	**—**	**2.4**
Net Book value as at 31 December 2019	**1.7**	**0.9**	**0.4**	**3.0**

11. Inventories

As at 31 December 2020, the Company holds £0.7m of inventories (2019: £0.4m). The entire balance is classified as 'finished goods' as they relate to device or components that require minimal organisation or assembly in order to sell to the customer.

12. Trade and other receivables

	Year ended 31 December 2020	Year ended 31 December 2019
	£m	£m
Amounts due from group undertakings	6.7	1.6
Net trade receivables	**6.7**	**1.6**
Prepayments	0.1	0.1
Research and development tax credit	0.1	0.3
Trade and other receivables	**6.9**	**2.0**

No receivables are past due but not provided for. All receivables from Group undertakings are repayable on demand and accordingly classified as short term and bears interest at 1.778%.

13. Trade and other payables

	Year ended 31 December 2020	Year ended 31 December 2019
	£m	£m
Accruals	0.3	0.2
Contract liabilities	0.4	2.0
Trade and other current payables	**0.7**	2.2

As all external payables will be settled for cash shortly after the balance sheet date, there is considered to be no difference between their carrying values and fair values.

In addition to trade and other payables of £0.7m (2019: £2.2m), the Company recognises a corporation tax payable of £0.1m (2019: nil).

14. Borrowings

	Year ended 31 December 2020	Year ended 31 December 2019
	£m	£m
Current		
Lease liabilities	0.3	0.3
Total current borrowing	**0.3**	0.3
Non-current		
Lease liabilities	1.1	1.4
Total non-current borrowing	**1.1**	1.4
Total borrowings	**1.4**	1.7

As at 31 December 2020, lease liabilities are £1.4m (2019: £1.7m) and relate to the expected terms remaining on Cambridge research and development facilities lease, discounted at a rate of 2.9%.

The maturity of the lease liabilities is presented below:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Within one year	**0.3**	0.3
Between two and five years	**1.1**	1.1
Over five years	**—**	0.3
Total borrowings	**1.4**	1.7

15. Provisions

Property provisions of £0.2m (2019: £0.3m) are recognised in respect of the commitment to restore the leased R&D facilities in Cambridge to their original condition in 2025.

16. Share capital

Allotted, issued and fully paid:

Number	Class	Nominal value	2020 £m	2019 £m
3,515,179	Ordinary	£1	**3.5**	3.5

17. Ultimate parent company

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

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