

SV HEALTH INVESTORS UK LIMITED

Annual Report and Financial Statements 31 December 2019

Registered Number: 5235343



SV Health Investors UK Limited

Registered office

71 Kingsway
London
WC2B 6ST

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT

Bankers

Barclays Bank plc
1 Churchill Place
London E14 5HP

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10 Snow Hill
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SV Health Investors UK Limited

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SV Health Investors UK Limited
Directors' report for the year ended 31 December 2019
Registered No. 05235343

The directors present their report and the audited consolidated financial statements of SV Health Investors UK Limited (the 'Company') and subsidiary undertakings (together the 'Group') for the year ended 31 December 2019.

Principal activities

The principal activity of the Group during the year was the provision of investment advice and/or management to Delaware limited partnership venture capital funds, an English limited partnership fund and a UK based Investment Trust.

The Company is a holding company for the corporate member interest in SV Health Managers LLP. SV Health Managers LLP is a corporate member with a 100% controlling interest in seven legal entities associated with the Dementia Discovery Fund and SV7 Impact Medicine Fund LP, which are consolidated but do not materially impact the results or balance sheet of the business.

Review of business and future developments

The overall business has performed well in 2019 resulting in an increase in turnover by around 30%. There were additional costs incurred in the launch of the new fund described below and in respect of the restructure of the group. Therefore, the additional turnover has not resulted in additional profits for 2019.

In December 2018, the Partnership launched its new fund, the "SV7 Impact Medicine Fund LP (SV7 IMF). The SV7 IMF is a specialist biotech venture capital fund, the fund has held three separate closings in 2019 totalling \$250m. SV7 IMF will be aiming to reach its cap and hold its final close in 2020.

In December 2018 the Group decided to restructure its underlying subsidiaries and to wind down SV Health Investors LLP, the restructuring was completed in April 2019. All operations were either transferred or sold to SV Health Managers LLP and all employees were transferred across as well. Overall the restructure has not resulted in a loss of business but was a simplification and cost saving exercise.

SV Health Managers LLP has continued to manage International Biotechnology Trust plc (IBT). IBT continued to perform well during 2019 and due to its performance there was a demand for shares which has led to the re-issue of IBT's treasury shares, which results in increased future revenue for the Group. There was a drop in after year performance due to COVID-19, this was a short-term adjustment and in May 2020 the Trust hit its all time high share price, exceeding 770p/share.

SV Heath Investors UK Ltd acknowledge the Covid-19 outbreak. The duration and impact of the pandemic remains unclear at this time, however, SV Health Investors UK Ltd and the wider Group are closely monitoring the latest market developments in relation to Covid-19. We do not expect it to have any impact on going concern, however, it is not possible to reliably estimate the impact of pandemic on the present and future financial position of the Company.

The principle risks of the business are:

- To fail to provide strong investment management services to underlying investors, causing them to remove their capital or decide not to invest in future funds.
- Poor management of IBT so that it underperforms the market to such a degree that the IBT Board replaces us as manager.

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- To fail to adequately control the activities of the team so that the business complies with applicable compliance law and controls costs so as to make a profit.

The Directors consider the key performance indicator of the group to be profit, which for the group was £4,103k (2018: £4,347k). No further KPIs are thought necessary for measuring the performance of the business.

At year end the group made a profit as reported above and had turnover of £12,517k (2018: £9,571k).

Strategic report exemption

In accordance with the exemption provisions within s414B of the Companies Act 2006, the Company has not prepared a strategic report for the year ended 31 December 2019, because it is eligible for exemption from this requirement.

Results and dividends

The consolidated results of the Group for the financial year are set out in detail on page 10. The consolidated profit for the year after tax and before minority interests was £4,103k (2018: £4,347k). The consolidated net assets are £1,164k (2018: £1,261k) The Directors do not recommend the payment of a dividend (2018: £nil).

Financial risk management objective and policies

The Group's principal financial instruments comprise bank balances, trade receivables and trade payables. The main purpose of these instruments is to maintain funds for the Group's operations. The Group's approach to managing risks applicable to the financial instruments is shown below.

Currency risk

The purpose of the Company's foreign currency management is to manage the effect of exchange rate fluctuations on income, expenses, cash flows and assets and liabilities denominated in selected foreign currencies, in particular denominated in US dollars.

The majority of revenues are generated in Pounds Sterling and US Dollars while expenses are predominantly Pounds Sterling. The extent that exchange rate fluctuations impact the profitability of the business is not considered to be material due to the limited level of foreign currency expenditure.

Liquidity risk

In respect of bank balances the liquidity risk is minimal as the company constantly monitors its bank balances to ensure that they are sufficient to finance the company's operations.

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Credit risk

Trade receivables are managed in respect of credit and cash flow risk by policies concerning monitoring of amounts and time outstanding. Trade payables liquidity risk is managed by ensuring sufficient funds are available to meet the amounts due through regular review of bank balances and the regular preparation of management accounts.

Payables

The Group's policy for creditor payment is to pay within 30 days unless a different period has been agreed with the supplier.

Directors and their interests

The directors of the company who were in office during the year and up to the date of signing the financial statements were Kate Bingham and James Costine.

Directors' insurance and indemnities

The Directors have the benefit of Directors' and officers' liability insurance for the benefit of the Company, the Directors and its officers. The Company has entered into qualifying third-party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006, which was in force throughout the year and remains in force at the date of signing.

Statement of disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the next annual general meeting.

Approved by the board and signed on its behalf



James Costine
Director
14 July 2020

SV Health Investors UK Limited
Statement of Directors' Responsibilities

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditors are aware of that information.

Independent auditors' report to the members of SV Health Investors UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, SV Health Investors UK Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Parent Company balance sheets as at 31 December 2019; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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 group's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.


Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Robert Hawkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 July 2020

SV Health Investors UK Limited
Consolidated Statement of Comprehensive Income for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover		12,517	9,571
Other operating income		247	197
Staff costs	4	(1,746)	(1,188)
Other operating expenses		(6,851)	(4,296)
		<u>(8,350)</u>	<u>(5,287)</u>
Operating Profit	6	4,167	4,284
Interest payable and similar expenses		(3)	(4)
(Loss)/Gain on investments	10	(63)	79
Profit on ordinary activities before taxation		<u>4,101</u>	<u>4,359</u>
Tax on profit on ordinary activities	7	2	(12)
Profit on ordinary activities after taxation		<u>4,103</u>	<u>4,347</u>
Profit attributable to:			
Owners of the parent company		(95)	133
Non-controlling interests		4,198	4,214
		<u>4,103</u>	<u>4,347</u>

The Group has no recognised gains and losses other than the profit stated above and therefore no separate Statement of Comprehensive Income has been presented.

The results above are all in respect of continuing operations.

The notes on pages 16 to 32 form part of these financial statements.

SV Health Investors UK Limited
Consolidated Balance Sheet as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	9	292	279
Investments			
Investments	10	1,338	901
Current assets			
Receivables	11	3,955	2,267
Cash at bank and in hand		2,462	1,482
		<u>6,417</u>	<u>3,749</u>
Creditors - Amounts falling due within one year	12	(6,883)	(3,668)
Net current assets		<u>(466)</u>	<u>81</u>
Net assets		<u>1,164</u>	<u>1,261</u>
Capital and reserves			
Called up share capital	14	300	300
Profit attributable to the owners		678	775
Equity attributable to owners of the parent		<u>978</u>	<u>1,075</u>
Non-controlling interest		186	186
Total equity		<u>1,164</u>	<u>1,261</u>

The financial statements and notes on pages 10 to 32 were approved by the board of directors on 14 July 2020 and were signed on its behalf by:



James Costine
Director

The notes on pages 16 to 32 form part of these financial statements.

SV Health Investors UK Limited
Parent Company Balance Sheet as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments	10	844	809
Current assets			
Receivables	11	25	69
Cash at bank and in hand		120	109
		<u>145</u>	<u>178</u>
Creditors - Amounts falling due within one year	12	(30)	(17)
Net current assets		<u>115</u>	<u>161</u>
Net assets		<u>959</u>	<u>970</u>
Capital and reserves			
Called up share capital	14	300	300
Profit and loss account		659	670
Total equity		<u>959</u>	<u>970</u>

The financial statements on pages 10 to 32 were approved by the board of directors on 14 July 2020 and were signed on its behalf by:



James Costine
Director

The notes on pages 16 to 32 form part of these financial statements.

SV Health Investors UK Limited
Consolidated Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total shareholders' funds	Non- controlling interest	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2019	300	775	1,075	186	1,261
Profit for the financial year	-	4,103	4,103	-	4,103
Allocated profits	-	(4,198)	(4,198)	4,198	-
Distribution of profits	-	-	-	(4,198)	(4,198)
Balance at 31 December 2019	300	680	980	186	1,166

	Called up Share capital	Profit and loss account	Total shareholders' funds	Non- controlling interest	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2018	300	642	942	333	1,275
Profit for the financial year	-	4,347	4,347	-	4,347
Allocated profits	-	(4,214)	(4,214)	4,214	-
Distribution of profits	-	-	-	(4,214)	(4,214)
Reduction of non-controlling interest	-	-	-	(137)	(137)
Reduction of capital	-	-	-	(10)	(10)
Balance at 31 December 2018	300	775	1,075	186	1,261

SV Health Investors UK Limited
Parent Company Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total shareholder s' funds
	£000	£000	£000
Balance at 1 January 2019	300	670	970
Profit for the financial year	-	(11)	(11)
Balance at 31 December 2019	300	659	959

	Called up Share capital	Profit and loss account	Total shareholders' funds
	£000	£000	£000
Balance at 1 January 2018	300	633	933
Profit for the financial year	-	37	37
Balance at 31 December 2018	300	670	970

SV Health Investors UK Limited
Consolidated Cash Flow Statement for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Net cash inflow from operating activities	15	4,802	2,607
Taxation paid		(9)	(27)
Net cash generated from operating activities		<u>4,793</u>	<u>2,580</u>
Cash flow from investment activities			
Purchase of tangible assets		(115)	(29)
Purchase of interest in a partnership		(437)	(337)
Finance repaid		-	(7)
Net cash used in investing activities		<u>(552)</u>	<u>(373)</u>
Cash flow from financing activities			
Increase/(decrease) in non-controlling interest		28	(137)
Interest paid		(3)	(3)
Finance lease interest		-	(1)
Profit allocation to non-controlling interests		(3,296)	(3,943)
Net cash (used) in financing activities		<u>(3,271)</u>	<u>(4,084)</u>
Net increase/(decrease) in cash in the year		<u>970</u>	<u>(1,877)</u>
Cash and Cash equivalents at the beginning of the year		1,482	3,355
Exchange gains on cash and cash equivalents		10	5
Cash and cash equivalents at the end of the year		<u>2,462</u>	<u>1,482</u>

The notes on pages 16 to 32 form part of these financial statements.

SV Health Investors UK Limited
Notes to the financial statements for the year ended 31 December 2019

1. Statement of compliance

These group and company financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

2. Accounting Policies

Basis of Accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value through profit and loss and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The principal accounting policies, which have been applied consistently to all the years presented, are set out below.

(a) Going concern

The group and company meet their day-to-day working capital requirements through their bank facilities. The group and company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group and company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. The group and company therefore continue to adopt the going concern basis in preparing their financial statements.

(b) Exemptions for qualifying entities under FRS 102 (individual financial statements)

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemption:

- (i) From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows

(c) Basis of consolidation

The financial statements include in full the results of the company and all subsidiary undertakings.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which gives it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

SV Health Investors UK Limited
Notes to the financial statements for the year ended 31 December 2019

(c) Basis of consolidation (cont.)

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

(d) Investments in group undertakings

Investments in group undertakings are held at historical cost less accumulated impairment losses on the balance sheet of the Company.

(e) Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable from investment advisory and management services provided on an accruals basis, excluding value added tax. No discounts or rebates are allowed by the Group.

(f) Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. Depreciation is calculated using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

IT equipment	50%
Telephone System	25%
Fixtures and Fittings	33%
Leasehold improvements	Lower of five years and the lease term

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating expenses'.

(g) Pension costs

The group contributes to a money purchase personal pension plan on behalf of its employees. Pension costs are charged to the profit and loss account in the year in which they become payable.

SV Health Investors UK Limited
Notes to the financial statements for the year ended 31 December 2019

(h) Finance Leases

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Assets held under finance leases are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting year. Assets held under finance leases are depreciated over their useful lives.

(i) Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

(j) Foreign currency transactions

i) Functional and presentation currency

The Group and Company's functional and presentation currency is the pound sterling.

ii) 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 profit and loss account.

All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating expenses.'

(k) Related Party Transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

SV Health Investors UK Limited
Notes to the financial statements for the year ended 31 December 2019

(I) Financial Instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Financial assets are derecognised when:

- (a) the contractual rights to the cash flows from the asset expire or are settled, or;
- (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or;
- (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies, are initially recognised at transaction price.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

SV Health Investors UK Limited
Notes to the financial statements for the year ended 31 December 2019

(l) Financial Instruments (cont.)

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(m) Segmental reporting

The Group's activities consist solely of the provision of investment management and advisory services to Delaware limited partnerships and Investment Trusts. As a result, no segmental reporting is required for the Group or Company.

(n) Employee benefits

The Partnership provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Partnership operates a defined contribution plans for its employees. A defined contribution plan is a pension plan under which the partnership pays fixed contributions into a separate entity. Once the contributions have been paid the Partnership has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Partnership in independently administered funds.

(iii) Annual bonus plan

The Partnership operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the Partnership has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

(iv) Other benefits

The Partnership also provides life assurance disability benefit, health and dental care to employees. These costs are recognised as an expense in the period in which the service is received.

SV Health Investors UK Limited
Notes to the financial statements for the year ended 31 December 2019

(o) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(p) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

SV Health Investors UK Limited
Notes to the financial statements for the year ended 31 December 2019

(p) Impairment of non-financial assets (cont.)

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

(q) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(r) Allocation of profits

The allocation of profits is determined on a discretionary basis by the respective Boards of the LLPs after the finalisation of the annual profits. The cash needs of the business take precedence over the monthly drawing needs of the partners.

Both the monthly fixed share and annual variable shares represent payments on account of current year profits and are reclaimable from members until profits have been allocated. Any over-distribution of profits during the year is also recoverable from members.

Members' drawings are paid out according to the terms of the partnership deed that defines the terms of the division of profits.

Any transfer of Members' interest from equity to debt (and vice versa) occurring during the year would be approved by the Board of the relevant LLP and disclosed in these financial statements.

(s) Operating income

Operating income arises from the recharge of employee time to various third-party companies. Employee time recharges are based on the proportion of time spent working with third parties, multiplied by the employee cost to the Company.

SV Health Investors UK Limited
Notes to the financial statements for the year ended 31 December 2019

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements in conformity with FRS 102 requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. The estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and constitute management's best judgements at the date of the financial statements. In the future, actual experience could differ from those estimates.

The members do not consider the company to have any critical accounting estimates or judgements that could have a significant effect upon the financial results.

4. Staff costs

	2019 £'000	2018 £'000
Wages and salaries	1,487	1,021
Social security costs	183	109
Other pension costs	76	58
	<u>1,746</u>	<u>1,188</u>
The average monthly number of persons employed by the Group during the year was:	2019	2018
Directors	2	3
Professionals	9	7
Support	6	6
	<u>17</u>	<u>16</u>

The pension costs of defined contribution schemes, which represent amounts paid by the Group, amounted to £75,927 (2018: £58,243). There were no pension costs due or payable as at 31 December 2019 (2018: £nil).

SV Health Investors UK Limited
Notes to the financial statements for the year ended 31 December 2019

5. Directors' Emoluments

Emoluments of the directors of the group were as follows:

	2019	2018
	£'000	£'000
Directors' emoluments	-	-

The directors receive no remuneration for their service to the Company (2018: £nil). The directors receive a distribution of profits as designated members of SV Health Managers LLP. The highest paid member of SV Health Managers LLP received a profit share of £1,342k (2018: £1,181k) and the highest paid member SV Health Investors LLP received a profit share of nil (2018: £517k). The Partnership decided to wind up SV Health Investors LLP on 30th April 2019 and transfer or sell all interests to SV Health Managers LLP, as such no profits were allocated through SV Health Investors LLP in 2019. Total profit share allocated to the two LLP members who are/were directors of the Company was £1,611k (2018: £1,726k). The total remuneration of key management personnel was £4,197k (2018: £4,214k).

The directors are also members of SV Health Investors LLP and SV Health Managers LLP, subsidiary entities within the SV Health Investors UK Limited group, and are therefore considered to be related parties within the scope of section 33 of FRS 102

6. Operating profit

	2019	2018
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
Owned assets	178	161
Rentals under operating leases		
Land and buildings	358	195
Foreign exchange gain/(loss)	12	(5)
Auditors' remuneration	2019	2018
	£'000	£'000
Audit Services		
Audit of the Company's single entity and consolidated financial statements	14	13
Additional over runs costs from prior year	25	-
Audit of the financial statements of the Company's subsidiaries	20	28
Other Services		
Fees in respect of services pursuant to regulations	4	4
Tax compliance and advisory services	127	99

SV Health Investors UK Limited
Notes to the Financial Statements for the year ended 31 December 2019

7. Taxation on profit

(a) Analysis of charge in year

	2019	2018
	£'000	£'000
Current Tax:		
UK Corporation tax on profits	-	8
Adjustments in respect of prior period	-	4
Total current tax	<u>-</u>	<u>12</u>
 Deferred tax:		
- Origination and reversal of timing differences	(2)	-
Total deferred tax	<u>(2)</u>	<u>-</u>

(b) Reconciliation of tax charge

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£'000	£'000
Profit on ordinary activities before taxation	4,099	4,359
Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 19% (2018: 19%)	779	828
Effects of:		
Tax effect of profits allocated to non-controlling interests	(797)	(801)
Tax effect of non-deductible income allocated	18	(19)
Adjustments in respect of prior periods	-	4
Deferred tax	(2)	-
Tax charge for the year	<u>(2)</u>	<u>12</u>

8. Profits of the Company

Of the group profits for the financial year, a loss of £11k (2018: gain £37k) relates to the parent company. The directors have taken advantage of the exemption available under s.408 of the Companies Act 2006 and not presented a profit and loss account for the Company alone.

SV Health Investors UK Limited
Notes to the Financial Statements for the year ended 31 December 2019

9. Tangible assets

Consolidated

	IT Equipment	Furniture & Fittings	Leasehold Improvements	Total
	£'000	£'000	£'000	£'000
At 1 January 2019				
Cost	178	87	558	823
Accumulated depreciation and impairment	(163)	(68)	(313)	(544)
Net book amount	<u>15</u>	<u>19</u>	<u>245</u>	<u>279</u>
Year ended 31 December 2019				
Opening net book amount	15	19	245	279
Additions	32	69	90	191
Depreciation	<u>(20)</u>	<u>(25)</u>	<u>(133)</u>	<u>(178)</u>
Closing net book amount	<u>27</u>	<u>63</u>	<u>202</u>	<u>292</u>
At 31 December 2019				
Cost	210	156	648	1014
Accumulated depreciation and impairment	(183)	(93)	(446)	(722)
Net book amount	<u>27</u>	<u>63</u>	<u>202</u>	<u>292</u>

The net book value of fixed assets of £291,560 (2018: £278,535).

Company

Tangible fixed assets in respect of the company were £nil (2018: £nil).

SV Health Investors UK Limited
Notes to the Financial Statements for the year ended 31 December 2019

10. Investments

Consolidated

An additional investment of £500k has been made into the DDF Portfolio through the group's co-investment vehicle Dementia Discovery GP LP. The investment at year end was £1,338k (2018: £901k) after unrealised loss totalling £63k (2018: £79k gain). A corresponding liability of £1,157k (2018: £711k) is recognised to reflect the portion of the investment in the DDF portfolio attributable to the external ownership of the Dementia Discovery GP LP Investor Partners' co-investment.

There has been no further investment into SV7 IMF as the founder partner vehicle has not yet been closed off to limited partners.

Company

The Company is a corporate member with a controlling interest in SV Health Managers LLP, a Limited Liability Partnership registered in England. The Limited Liability Partnership deed dated 21 December 2004 and subsequently updated on 30 September 2006, 1 December 2007, 1 November 2008, April 2011, 2 September 2013, 4 April 2014, 1 September 2015 and 31 December 2015, February 2016, April 2016, June 2017, January 2018, February 2018, May 2018, September 2018, January 2019 give the company control of the LLP. The Company's rights under the LLP deed entitle it to an amount agreed by the Boards of the LLP, though this allocation of profits is at the discretion of the LLP Board. Losses, other than capital losses, of the LLPs are divided amongst the members and must be repaid out of subsequent profits before any profits are allocated.

In April 2019, the Board finalised the decision to wind up SV Health Investors LLP and repay the capital contribution/investment back to SV Health Investors UK Ltd. A new investment was made into SV Health Managers LLP during the year.

	SV Health Investors LLP £ '000	SV Health Managers LLP £'000	Total £'000
Cost at 1 January 2019	75	734	809
Repayment of capital	(75)	-	(75)
Additional Investment	-	110	110
Accumulated (Impairment) /	-	-	-
Appreciation in the years 2019	-	-	-
Net Book Value			
At 31 December 2019	<u>-</u>	<u>844</u>	<u>844</u>
At 31 December 2018	<u>75</u>	<u>734</u>	<u>809</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets.

SV Health Investors UK Limited
Notes to the Financial Statements for the year ended 31 December 2019

The Company also holds an indirect investment in the following companies and partnerships. Each of the entities is deemed to be a subsidiary and the results of these entities are fully consolidated into these financial statements.

Entity	Entity type	Class of capital
SV DDF Number 1 Ltd	English Ltd	Ordinary
SV DDF Number 2 Ltd	Scottish Ltd	Ordinary
Dementia Discovery GP LLP (DD GP LLP)	English LLP	Partnership Interest
Dementia Discovery GP LP (DD GP LP)	Scottish LP	Partnership Interest
SV7 (IMF) FP GP LLP	Scottish LLP	Partnership Interest
SV7 (IMF) FP LP	Scottish LP	Partnership Interest
SV7 (IMF) GP LLP	English LLP	Partnership Interest

The directors believe that the carrying value of the investments is supported by their underlying net assets.

	SV DDF Number 1 Ltd	SV DDF Number 2 Ltd	DD GP LLP	DD GP LP	SV7 (IMF) FP GP LLP	SV7 (IMF) FP LP	SV7 (IMF) GP LLP	Total
	£	£	£	£	£	£	£	£
Cost at 31 December 2019	100	1	100	1	1	1	1	205
Accumulated (Impairment) / Appreciation at 31 December 2019	-	-	-	-	-	-	-	-
Net Book Value								
At 31 December 2019	100	1	100	1	1	1	1	205
At 31 December 2018	100	1	100	1	-	-	-	202

All subsidiaries and associates are registered in England and Wales have registered offices at 71 Kingsway, London, WC2B 6ST. All subsidiaries registered in Scotland have registered offices at 50 Lothian Road, Edinburgh, EH3 9WJ.

SV Health Investors UK Limited
Notes to the Financial Statements for the year ended 31 December 2019

11. Receivables

Consolidated	2019	2018
	£'000	£'000
Trade receivables	3,145	2,080
Other receivables	671	58
Prepayments and accrued income	138	129
	<u>3,954</u>	<u>2,267</u>
Company		
Deferred tax	2	-
Amounts owed by group undertakings	23	69
	<u>25</u>	<u>69</u>

Above amounts are unsecured, non-interest bearing and payable on demand.

12. Creditors - Amounts falling due within one year

Consolidated	2019	2018
	£'000	£'000
Trade payables	3,237	1,233
Other payables	1,147	711
Taxation and social security	-	9
Accruals and deferred income	352	469
	<u>4,736</u>	<u>2,422</u>
Loans and other debts due to minority interest holders	2,147	1,246
	<u>6,883</u>	<u>3,668</u>
Company	2019	2018
	£'000	£'000
Corporation tax	-	9
Accruals and deferred income	24	8
	<u>24</u>	<u>17</u>

SV Health Investors UK Limited
Notes to the Financial Statements for the year ended 31 December 2019

13. Operating Lease commitments

The Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019	2018
	£'000	£'000
Land and buildings operating leases		
Not later than one year	297	195
Later than one year and not later than five years	661	295
Later than five years	<u>-</u>	<u>-</u>

14. Called up share capital

	2019	2018
	£'000	£'000
Authorised		
2019 (2018: 300,000) ordinary shares of £1 each	<u>300</u>	<u>300</u>
Allotted, issued and fully paid:		
2019 (2018: 300,000) ordinary shares of £1 each	<u>300</u>	<u>300</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

15. Notes to the cash flow statement

	2019	2018
	£'000	£'000
(Loss)/Profit for the financial year	(97)	133
Adjustments for:		
Profit attributable to non-controlling interests	4,198	4,214
Tax on profit on ordinary activities	1	12
Net interest (expense)/income	(1)	3
Operating profit	4,101	4,356
Depreciation of tangible assets	128	161
(Increase) in receivables	(1,688)	(780)
Increase/(decrease) in payables	2,324	(1,080)
Other non-cash adjustments	(63)	(79)
Cash flow from operating activities	<u>4,802</u>	<u>2,607</u>

SV Health Investors UK Limited
Notes to the Financial Statements for the year ended 31 December 2019

16. Analysis of changes in net funds

	At 1 Jan 2019	Movement in cash and cash equivalents	Exchange gains on cash and cash equivalents	At 31 Dec 2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,482	970	10	2,462

17. Related party disclosures

The Group had the following related party transactions:

- a) £1,655k (2018: £925k) of income from SV Health Investors LLC, an affiliated entity, for venture capital advisory services. The full amount was a receivable at year end. A loan of £1,063k was made to SV Health Investors LLC in 2019 and remains receivable at year end.
- b) £2,548k (2018: £1,721k) of income relating to Management Fee and Performance Fee from International Biotechnology Trust plc. £1k (2018: nil) was owed at the year-end which related to expenses paid on behalf of IBT by SV Health Managers LLP.
- c) £6,350k (2018: £6,924k) of income relating to Management Fee from Dementia Discovery Fund GP LP, the general partner to Dementia Discovery LP and DDF Parallel LLP. £166k was receivable from Dementia Discovery Fund GP LP at the year-end (2018: £149k) relating to a drawdown payments. A further £114k (2018: 0) was receivable in relation to recharges at the year end.
- d) £1,962k (2018: £0) of income relating to Management Fee from SV7 (IMF) GP LLP, the General Partner to SV7 Impact Medicine Fund LP. £185k of Management Fees remained receivable at the year-end (2018: £0). An additional amount of £82k (2018: 0) relating to recharges were also receivable at the year end.
- e) Aggregate profit allocation from SV Health Managers LLP during the year was £23k (2018: £65k (SV Health Managers LLP) and £3k (SV Health Investors LLP). At the year end the outstanding balance due from SV Health Managers LLP was £23k.
- f) During the year the partnership organised for £18k (2018: £12k) of payroll expenses to be processed associated with personal work for Kate Bingham, which she reimbursed in full, including the costs of the payroll agency. At the year-end nil (2018: £2k) was owed. There was no cost to the group from this activity (2018: £nil).
- g) During the year the following investments were made in to DD GP LP by the following members of SV Health Managers LLP, Kate Bingham £13,068 (2018: £4,220), Hamish Cameron £19,603 (2018: £5,882), Laurence Barker £31,248 (2018: £19,536), Houman Ashrafian £13,068 (2018: £nil), James Costine £3,374 (2018: £nil). DD GP LP is a subsidiary of SV Health Managers LLP.
- h) During the period, SV Health Managers LLP acquired all fixed assets of SV Health Investors LLP

SV Health Investors UK Limited
Notes to the Financial Statements for the year ended 31 December 2019

on 30th April 2019 for net book value of £229k.

18. Subsequent events

SV Health Investors UK Ltd acknowledge the current outbreak of COVID-19 and its potentially adverse economic impact on the locations in which the underlying Funds under its management invest and operate. Depending on location, industry sector and other factors, the Partnership's operations and investment strategies may see a range of impacts, which given the degree of uncertainty, it is not possible to quantify at this time but may in some instances be material, these do have the possibility to be both positive and negative due to the underlying sector the majority of the business focusses on. SV Health Investors UK Ltd and the wider group are closely monitoring the latest market developments relating to COVID-19. Management consider this to be a non-adjusting event.

19. Ultimate controlling party

The ultimate controlling party of the group and company is Kate Bingham.