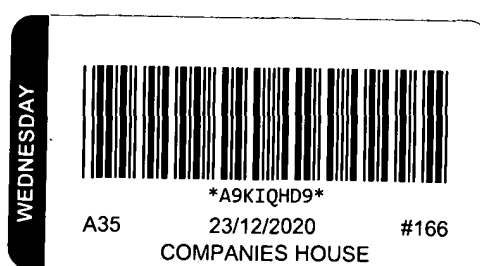


ASCENSION HEALTHCARE DEVELOPMENT LIMITED

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Company Registration Number: 08217622



ASCENSION HEALTHCARE DEVELOPMENT LIMITED

CORPORATE INFORMATION

Directors

Biresh Roy
Richard Wolf-Garraway

Registered Office and Number

4th Floor, Reading Bridge House
George Street
Reading
Berkshire RG1 8LS

Company Registration Number: 08217622

Independent Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

ASCENSION HEALTHCARE DEVELOPMENT LIMITED

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ASCENSION HEALTHCARE DEVELOPMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Change of name

The Company changed its name from Cantab Anti-Infectives Limited to Ascension Healthcare Development Limited on 16 January 2019.

Directors of the company

The directors who served during the year and up until the date of this report are shown on page 2.

Result

The loss after tax of the Company for 2019 was £3,600,623 (2018: loss £9,638).

Dividends

The directors do not recommend any dividend for the year (2018: £ nil).

Research and development

In 2019 research and development activities resumed. During the year research and development expenditure of £3,819,212 was incurred (2018: £nil).

Future developments

The directors expect to continue to invest in the development of healthcare products.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company and kept under review by the board of the Company have been summarised below.

The Company is currently profit making but is dependent on the support of its ultimate parent company, Ascension Healthcare Plc. The directors and management take the view that the Company, with support from its parent and its key shareholders and lenders, would have adequate resources to continue in operational existence for at least 12 months after the date of approval of these financial statements, and continue to adopt the going concern basis of accounting in preparing the financial statements, details of which are set out in note 1 to the financial statements.

From late March 2020, when the UK Government announced a state of lockdown to contain the spread of COVID-19 in the UK, in common with other businesses in the UK and across other geographies in which the Company conducts business, the Osteoarthritis and Haemophilia activities were slowed down. While the directors are monitoring the situation closely, they do not consider that the impact of COVID-19 after the reporting period has a material impact on the results as reported in these financial statements. No adjustments have been made nor additional disclosures made in these financial statements as a result of COVID-19 as it is not possible to estimate the impact of COVID-19 on the Company at this time.

A fuller consideration of the risks that the group is exposed to is contained in the notes of the consolidated accounts of Ascension Healthcare Plc.

ASCENSION HEALTHCARE DEVELOPMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' liabilities

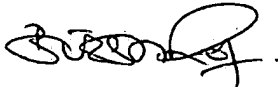
The Company has granted an indemnity to each of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying indemnity provision remains in force as at the date of approving the Directors' report.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor is Grant Thornton UK LLP.

Small companies exemptions

In preparing this report the directors have taken advantage of the small companies exemptions provided by sections 414B and 415A of the Companies Act 2006.



On behalf of the board of directors

Biresh Roy
Director
1 October 2020



ASCENSION HEALTHCARE DEVELOPMENT LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UKGAAP), including FRS101 'Reduced Disclosure Framework' 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 and 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ASCENSION HEALTHCARE DEVELOPMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASCENSION HEALTHCARE DEVELOPMENT LIMITED

Opinion

We have audited the financial statements of Ascension Healthcare Development Limited (the 'Company') for the year ended 31 December 2019, which comprise the statement of total comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
 - the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.
-

ASCENSION HEALTHCARE DEVELOPMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASCENSION HEALTHCARE DEVELOPMENT LIMITED

In our evaluation of the directors' conclusions, we considered the risks associated with the Company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

ASCENSION HEALTHCARE DEVELOPMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASCENSION HEALTHCARE DEVELOPMENT LIMITED

- The directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report from the requirement to prepare a strategic report.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

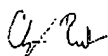
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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



Christopher Raab, ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London, UK
1 October 2020

ASCENSION HEALTHCARE DEVELOPMENT LIMITED

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

	Note	Year ended 31 Dec 2019 £	Year ended 31 Dec 2018 £
Other income		-	2,400
Research and development costs		<u>(3,819,212)</u>	<u>-</u>
Gross (loss)/profit		(3,819,212)	2,400
General and administrative costs	3	<u>(9,763)</u>	<u>(9,206)</u>
Total expenses		(9,763)	(9,206)
Operating loss		(3,828,975)	(6,806)
Other income/(expense)	5	39,043	(365)
Finance costs	6	(7,810)	(2,467)
Loss before income tax		<u>(3,797,742)</u>	<u>(9,638)</u>
Income tax credit	7	197,119	-
Loss for the financial year		<u>(3,600,623)</u>	<u>(9,638)</u>
		Year ended 31 Dec 2019 £	Year ended 31 Dec 2018 £
Loss for the financial year		(3,600,623)	(9,638)
Total comprehensive loss for the year		<u>(3,600,623)</u>	<u>(9,638)</u>

All revenue and profit for the prior financial year arose from discontinued activities.

The notes on pages 13 to 21 are an integral part of these financial statements.

ASCENSION HEALTHCARE DEVELOPMENT LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Current assets			
Trade and other receivables	9	55,627	389
Corporate tax		214,150	80,209
Cash and cash equivalents		133,814	111,378
Total current assets		403,591	191,976
Total assets		403,591	191,976
Current liabilities			
Trade and other payables	10	3,829,286	17,047
		3,829,286	17,047
Total liabilities		3,829,286	17,047
Equity attributable to owners of the parent			
Share capital	11	100	100
Retained earnings		(3,425,794)	174,829
Total equity		(3,425,694)	174,929
Total equity and liabilities		403,591	191,976

The financial statements of Ascension Healthcare Development Limited (registration number 08217622) on pages 10 to 21 were authorised for issue by the board of directors on 1 October 2020 and were signed on its behalf.

Biresh Roy

Biresh Roy
Director

Richard Wolf-Garraway

Richard Wolf-Garraway
Director

The notes on pages 13 to 21 are an integral part of these financial statements.

ASCENSION HEALTHCARE DEVELOPMENT LIMITED

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

	Share capital £	Profit and loss reserve £	Total equity £
Balance at 1 January 2018	100	184,467	184,567
Total comprehensive income for the year	-	(9,638)	(9,638)
Balance at 31 December 2018	100	174,829	174,929
Balance at 1 January 2019	100	174,829	174,929
Total comprehensive loss for the year	-	(3,600,623)	(3,600,623)
Balance at 31 December 201	100	(3,425,794)	(3,425,694)

Profit and loss reserve is accumulated profits and losses for each financial year.

The notes on pages 13 to 21 are an integral part of these financial statements.

ASCENSION HEALTHCARE DEVELOPMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****INTRODUCTION**

Ascension Healthcare Development Limited (the "Company") was principally engaged in the business of research and development of healthcare products. The Company is a limited liability company incorporated on 17 September 2012 and is domiciled in the United Kingdom.

1. Going concern

The Company is currently loss making and as such is dependent on the support of its ultimate parent company, Ascension Healthcare Plc.

During 2019, Ascension Healthcare Plc ("Ascension"), the group and Company's ultimate parent undertaking, drew down £7.4m under the existing secured Loan agreement. In August 2020, Ascension raised £9.3m under an unsecured Convertible Loan Agreement (CLA) with the British Business Bank's Future Fund and internal investors. The directors are confident that with the group's business plan, cash generated from Flexiseq and Equiseq sales and this further financing, the group will have a cash reach to at least December 2021 to continue its Flexiseq and Equiseq business and carry out its Haemophilia A programmes. Additionally, the discretionary nature of the spend associated with the Haemophilia A activities means that management retain the ability to regulate cash burn to further extend cash reach.

The Company recorded a loss of £3,600,623 for the year to 31 December 2019 and the group is reliant on the funding from the secured Loan and the unsecured CLA, which both mature in August 2023.

From late March 2020, when the UK Government announced a state of lockdown to contain the spread of COVID-19 in the UK, in common with other businesses in the UK and across other geographies in which the group and the Company conducts business, the Osteoarthritis and Haemophilia activities were slowed down. While the directors are monitoring the situation closely, they do not consider that the impact of COVID-19 after the reporting period has a material impact on the results as reported in these financial statements. No adjustments have been made nor additional disclosures made in these financial statements as a result of COVID-19 as it is not possible to estimate the impact of COVID-19 on the group or Company at this time.

The directors and management believe that the Company, with support from its parent company, would have adequate resources to continue in operational existence for at least 12 months after the date of approval of these financial statements, and continue to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the Company financial statements do not include the adjustments that would be required if the Company were unable to continue as a going concern.

2. Revenues

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	£	£
Other Income		
Reimbursement of research costs	-	2,400
Total Revenue	-	2,400

Revenues of £ Nil were generated in 2019 (2018: £2,400). Revenue in 2018 were derived from a combination of research grants and research and development services provided to third parties and to affiliated companies within the Ascension Healthcare Plc group.

ASCENSION HEALTHCARE DEVELOPMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****3. General and administrative costs**

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	£	£
Management and administrative costs	3,783	843
Professional fees	5,980	8,363
	<u>9,763</u>	<u>9,206</u>

Auditors' remuneration is borne by the ultimate parent company, Ascension Healthcare Plc.

4. Employee benefits

No employee benefits were paid in 2019 (2018: £nil)

The average number of personnel employed during the financial year was £ Nil (as at 31 December 2018: £Nil).

No remuneration was paid by Ascension Healthcare Development Limited to directors, who are the only employees, of the Company. Directors of the ultimate parent company Ascension Healthcare Plc did receive remuneration and that is presented in the accounts of that company.

5. Other income and expense

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	£	£
Foreign exchange gain/(loss)	39,043	(365)
	<u>39,043</u>	<u>(365)</u>

6. Finance costs

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	£	£
Bank charges	(7,810)	(2,467)
	<u>(7,810)</u>	<u>(2,467)</u>

ASCENSION HEALTHCARE DEVELOPMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****7. Income tax expense**

	Year ended 31 Dec 2019 £	Year ended 31 Dec 2018 £
Current tax		
R&D Tax Credit provision	(197,119)	-
Income tax (credit)	<u>(197,119)</u>	<u>-</u>

	Year ended 31 Dec 2019 £	Year ended 31 Dec 2018 £
Reconciliation of tax expense		
Loss before tax	(3,797,742)	(9,638)
Tax calculated at standard rate of UK corporation tax of 19% (2018: 19%)	(721,571)	(1,831)
Tax effects of:		
R&D tax credit	(197,119)	-
Unrelieved tax losses carried forward	721,571	1,831
Tax credit	<u>(197,119)</u>	<u>-</u>

The Company has estimated losses of £3,855,000 (2018 - £185,190) available for carry forward against future trading profits.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

8. Property, plant and equipment

	Plant and machinery £	Fixtures, fittings and equipment £	Total £
At 31 December 2018 and 2019			
Cost or valuation	1,650	56,247	57,897
Accumulated depreciation	<u>(1,650)</u>	<u>(56,247)</u>	<u>(57,897)</u>
Net book amount	<u>-</u>	<u>-</u>	<u>-</u>

ASCENSION HEALTHCARE DEVELOPMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****9. Trade and other receivables**

	2019 £	2018 £
Other Receivables	100	100
Other taxes	48,999	289
Amounts owed by group undertakings	6,528	-
	<u>55,627</u>	<u>389</u>

In 2019 the Company made a provision against non-performing receivables of £nil (2018: £nil).

10 Trade and other payables

	2019 £	2018 £
Trade payables	34,951	198
Accrued expenses and other payables	95,577	16,849
Amounts owed to group undertakings	3,698,758	-
	<u>3,829,286</u>	<u>17,047</u>

11. Share capital

	Number of ordinary shares	Share capital £	Total £
Ordinary shares of £1 each at 31 December 2017, 2018, and 2019	<u>100</u>	<u>100</u>	<u>100</u>

12. Critical accounting judgements and estimates

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

12.1 Critical judgements in applying the entities' accounting policies

The financial statements have been prepared on a going concern basis as stated in note 1.

12.2 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

ASCENSION HEALTHCARE DEVELOPMENT LIMITED

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

13. Commitments

a) Capital commitments

On 27 March, Ascension Healthcare Plc ("Ascension"), the ultimate parent company of the Company, entered into an assignment and amendment agreement with Knight Therapeutics (the provider of Ascension's borrowings up until then) and Fonds Rusnano Capital SA ("Rusnano") whereby the loan advanced by Knight Therapeutics pursuant to a loan agreement dated 25 June 2015 (the "Loan Agreement") was assigned to Rusnano, which is a party related to the group. The loan principal amounted to US\$ 13,125,000.

On 11 May 2017, Ascension entered a supplemental agreement with Rusnano, whereby Rusnano made additional loans to Ascension of £660,000 and £2,340,000. The loans were drawn in full on 2 June 2017. In addition, on 4 August 2017, Rusnano made a further secured loan of £750,000 to Ascension. On 21 December 2017, Ascension entered into a supplemental Loan Agreement with Rusnano under which Rusnano and certain shareholders agreed to make an additional loan to AHP totalling £2,750,000. All loans are governed by the aforementioned Loan Agreement including benefiting from all security provided by Ascension pursuant to such agreement.

The company drew down a further £2.876m on 13 December 2018 and £7.35m between 4 and 31 October 2019 on the same terms as above and the loan covenants have been renegotiated.

As part of the above arrangements, the Company has guaranteed Ascension's obligations in connections with this financing and granted security over its assets to Rusnano.

b) Operating lease commitments

At 31 December 2019 the Company had no outstanding operating lease commitments.

14. Contingent Liabilities

As at 31 December 2019 the Company had no material contingent liabilities (2018: £ nil)

15. Events after the reporting period

COVID-19

From late March 2020, when the UK Government announced a state of lockdown to contain the spread of COVID-19 in the UK, in common with other businesses in the UK and across other geographies in which the Company conducts business, the Osteoarthritis and Haemophilia activities were slowed down. While the directors are monitoring the situation closely, they do not consider that the impact of COVID-19 after the reporting period has a material impact on the results as reported in these financial statements. No adjustments have been made nor additional disclosures made in these financial statements as a result of COVID-19 as it is not possible to estimate the impact of COVID-19 on the Company at this time.

16. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

ASCENSION HEALTHCARE DEVELOPMENT LIMITED

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

17. Ultimate Group undertaking

The Company's immediate parent is PBB (Malta) Ltd and the ultimate parent undertaking is Ascension Healthcare Plc. The Company is included within the consolidated accounts of its ultimate parent which are publicly available. Copies of the consolidated financial statements of Ascension Healthcare Plc are available at 4th Floor Reading Bridge House, George Street, Reading RG1 8LS.

18. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

18.1 Basis of preparation of the financial statements

The financial statements of Ascension Healthcare Development Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 12.

The comparatives relate to the year ending on 31 December 2018. All amounts are in sterling unless stated otherwise.

The Company's financial statements are included in the Ascension Healthcare PLC consolidated financial statements for the year ended 31 December 2019. The Company is exempt, under Section 400 of the Companies Act 2006, from the preparation of consolidated financial statements because it is included in the Annual Report and Financial of its ultimate parent. These financial statements are separate financial statements.

Adoption of new and revised standards

IFRS 16 'Leases' is a new accounting standard that is effective for the year ended 31 December 2019 and is expected to have no material impact on the Company's financial statements. The Company is not party to any leases.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. As these amendments merely clarify the existing requirements, they do not affect the Company's accounting policies or any of the disclosures.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments': Disclosures other than disclosures required for recording financial instruments at fair value.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;

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

- (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 40A-D (requirements for a third statement of financial position)
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

18.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using £ sterling.

(b) Transactions and balances

Foreign currency transactions are translated into £ sterling using the exchange rates prevailing at the dates of the transactions or dates of valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies.

18.3 Property, plant and equipment

Plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated so as to write off their costs, less estimated residual values, over their useful economic lives, as follows:

- Fixtures, fittings and equipment - 3 to 5 years, straight-line basis

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Depreciation commences when assets are ready for use.

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18.4 Trade and other receivables

Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised and carried at amortised cost.

Receivables from related parties are recognised and carried at cost less an allowance for any non- collectable amounts.

18.5 Cash and cash equivalents

Cash and cash equivalents includes 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. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

18.6 Share capital

Ordinary shares are classified as equity. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

Ordinary share capital is recognised at the nominal value of the consideration received. Any difference between the fair value of the consideration received and the nominal value of the issued shares is recognised as share premium, after deducting related financing costs.

18.7 Trade payables

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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

18.8 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. 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.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been

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enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

18.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services supplied in the normal course of business, net of discounts, VAT and other sales related taxes. The Company recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

No element of financing is deemed present as the sales are made with credit terms of up to 90 days, which is consistent with the market practice.

Grant revenue is recognised when the contractual conditions for milestone entitlement to such revenue have been met.

18.10 Research and development costs

Research and development costs are written off to the profit and loss account in the year in which they are incurred.

18.11 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (primarily currency risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

a) Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from recognised assets and liabilities.

The Company does not enter into derivative financial instruments to hedge its foreign currency risk.

b) Credit risk

Credit risk is managed at group level, including credit risk relating to accounts receivable balances. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to outstanding receivables and committed transactions.

For banks and financial institutions, normally the Company seeks to deal only with independently rated parties. Typically the Company's customers are not independently rated. Where there is no independent rating, the central finance function assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored by the central finance function.

c) Liquidity risk

The Company's liquidity risk relates mainly to its continuing need to raise sufficient funding to support its operations and finance its corporate expenses.

The maturity of financial assets and liabilities are discussed in the specific asset and liability footnotes.
