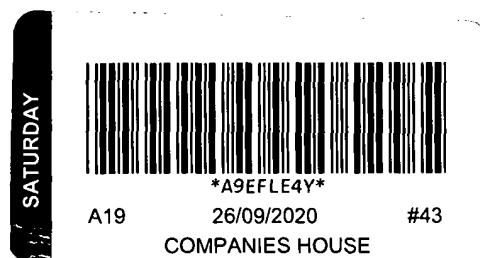


ASCENSION HEALTHCARE PLC

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019



Company Registration Number: 08705972

ASCENSION HEALTHCARE PLC

CORPORATE INFORMATION

Directors

Jon Aisbitt
Ali Baruni
Oleg Kiselev
Vladimir Konovalov
Dmitry Pimkin
David Quint
Biresh Roy
Richard Wolf-Garraway

Company secretary

Justin Bowen

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Company Registration Number: 08705972

Independent Auditor

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ASCENSION HEALTHCARE PLC

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ASCENSION HEALTHCARE PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Ascension Healthcare PLC ("Ascension", "Company") is an international bio-pharmaceuticals group therapeutically focused on marketing and developing products for the treatment of osteoarthritis and haematology. Our nano-lipid based technology platforms can also be applied to the development of other novel products either as standalone treatments or in combination with other therapies.

Ascension's OTC osteoarthritis products are sold with direct marketing support under the 'Flexiseq' brand to high street multiples and the independent retail chemist sector in the UK, Ireland and Germany. In the UK major customers include Boots, Superdrug, Tesco, Lloyd's Pharmacy/Sainsbury's, Day Lewis and Harrods. In Germany prominent names include Rossmann and Müller. Elsewhere in the EU and in other international territories our products are marketed via our established and growing distributor network. Online routes to market such as Amazon account for an increasing proportion of Ascension's sales.

Ascension's haematology programmes, which are in clinical and preclinical development, are targeted at Haemophilia A patients (those suffering from a deficiency of blood clotting Factor VIII). Our simple affordable PEGylated liposome (PEGLip) technology to enhance the in-vivo properties of Factor VIII through intravenous and subcutaneous routes of administration are being developed at a time when similar advances involve extensive modification to Factor VIII or the development of mimetics or gene therapy at very high cost. We believe our low cost, low tech approach could provide us with a market disruptive position in this high value healthcare segment, potentially making Haemophilia A therapy universally accessible to all.

Although we are focused on osteoarthritis and haematology, there is potential to extend our patent protected nano-lipid technology platform into other therapeutic as well as non-therapeutic areas.

The Company changed its name from Pro Bono Bio PLC to Ascension Healthcare PLC on 4 January 2019.

KEY ACHIEVEMENTS AND CHALLENGES

2019 marked a year of accomplishment for Ascension Healthcare PLC and its group of companies, building on the transformative foundations laid in 2018, against a background of challenges in order to position it for growth in 2020 to 2021:

- Additional funding of £7.35m was secured from existing investors in 2019, together with a commitment for further funding during 2020, under the terms of a secured loan provided by Fonds Rusnano Capital AG
 - Rationalisation of the business commenced to simplify the group structure to seek possible tax efficiencies, the termination of the Diagnostics division to focus on core activities and intensified news flow of the Company's achievements via press releases in order to raise the profile of the Company to attract new external investment
 - Clinical achievements in the haemophilia programmes included securing a FVIII supply contract with a major global blood products supplier, which enabled Ascension to commence Phase 2 clinical trials for 'SelectAte' our most advanced clinical programme with a major Russian Contract Research Organisation. SelectAte, which intravenously co-administers FVIII with our proprietary PEGylated liposome, aims principally to treat Haemophilia A patients who develop inhibitory antibodies to blood clotting Factor VIII which destroy it thereby rendering conventional Factor VIII replacement therapies ineffective. First patient dosing was achieved by year end, with clinical readout expected in 2020
 - The Company also completed its planned preclinical activities for subcutaneously co-administered PEGlip-FVIII and intravenously administered standalone PEGlip through our 'SubcutAte' and 'ChapAte' studies respectively. Whilst SubcutAte yielded indeterminate results for follow-up, ChapAte delivered exciting positive data, presenting the near-term possibility to accelerate the project into Phase 2 clinical trials for our standalone PEGlip product. Clinical success for ChapAte would potentially enable Ascension to achieve independence of FVIII supply from any particular FVIII provider and thereby considerably increase the commercial potential of our PEGlip technology
-

ASCENSION HEALTHCARE PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

- Revenues from the Company's osteoarthritis product, Flexiseq, declined overall by 16% compared to 2018. In common with other suppliers to the UK retail sector during 2019, Brexit uncertainty played a significant role with key customers reducing their stock levels and delaying orders, impacting upon sales. However, the strength of the Flexiseq brand mitigated the full Brexit impact. In both our directly marketed and our international distributor markets the collapse of the LRQA, the UK Notified Body responsible for issuing Flexiseq's CE certificate as an EU approved medical device, and the expiry of our CE certificate had a pronounced effect on sales. Whilst we were able to continue sales in non-CE marked packaging in the directly supported UK and Germany markets, this activity was not possible with other international markets pending issuance of a new CE certificate by an alternative Notified Body. In order to maintain brand strength against this background of challenges, promotional investment was intensified across our key supported accounts, resulting in Flexiseq gross margins reduced by 7% compared to 2018.

KEY PERFORMANCE INDICATORS

	2019	2018
Number of countries where products are sold	24	24
Total product revenues (£'000)	4,417	5,250
Product gross margin (before royalties, logistics costs and legacy stock obsolescence provisions)	72%	77%
Product contribution (gross profit less attributable advertising and promotion costs) (£'000)	1,131	2,186
Product contribution margin	26%	42%
Other income from grants and third parties to fund anti-infective developments (£'000)	0	2
Research and development (£'000)	3,313	886
EBITDA (£'000)	(6,175)	(2,411)

ASCENSION HEALTHCARE PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

FLEXISEQ SALES PERFORMANCE

2019 was a year of challenges for Flexiseq, the most significant of which were beyond the company's control. Growing Brexit uncertainty and the absence of a forthcoming trade deal (potentially leading to 'hard Brexit') with the EU caused UK customers to be particularly cautious in placing orders and also led to a run-down in their stock levels. The macroeconomic uncertainty was reflected across the board with large pharmacy chains announcing several hundred store closures in 2019. At the same time, the loss of the LRQA issued CE mark in February 2019 and the collapse of that UK Notified Body in June 2019 directly affected distributor sales in international markets. Whilst the strength of the Flexiseq brand, which reflected solid consumer demand, enabled the Company to mitigate the full Brexit impact in the UK and Germany, the loss of the CE mark had a delaying impact on sales to international distributor markets. In the UK and Germany, depleted stocks of existing CE marked product were replaced by non-CE marked Flexiseq packed stocks as a temporary action pending a new CE certificate from a new (non-UK) EU Notified body. Whilst this holding measure was accepted by key accounts in the UK and Germany, supply lead times of non-CE marked stock led to stock outs which adversely affected sales. Order fulfilment to international distributor markets in Belgium, Singapore, Malaysia, Australia and others was delayed as a valid CE certificate was required by distributors to support local product registration and compliance for them to place orders or commit to shipment. Taken together, product revenues fell by 16%.

Faced with these challenges, for the UK and Germany the Company stepped up in-store price promotional activity particularly in Lloyds and Superdrug to maintain strong consumer demand. Whilst this objective was met, gross product margins were reduced from 77% to 72% versus 2018 due to the increased retrospective rebates.

In June 2019 the Company applied to a new (non-UK) EU Notified Body, UDEM, for a new CE certificate and in anticipation of a timely successful outcome, stocks of Flexiseq carrying a new CE mark were ordered from our manufacturers in Germany and Italy in July. However, the approval process, which was successfully achieved in May 2020 for Flexiseq as a Class 3 Medical Device, took longer than expected resulting in stocks of new CE marked stock available since October not being able to be released onto the markets in that year.

Despite these challenges, significant progress was made in executing a new Flexiseq sales and marketing strategy comprising five growth drivers

- A Flexiseq global brand plan
- Development and penetration of existing markets
- New product Development comprising new product and pack sizes
- Geographic expansion
- Focus on Product Consumer Education, reflecting the re-positioning of the brand away from medical claims-based messaging toward experiential marketing and increased mobility, engaging prominent brand ambassadors

In addition, the commercial team was strengthened by additional hires to implement the new sales and marketing strategy

Notable highlights for the Flexiseq business include:

- Establishing new channels to market: Amazon fulfilment, online pharmacy in Germany (the fastest growing healthcare sector), with orders received from Sanicare and Apotal
- Continued use of social media such as Google AdWords which increased traffic to the Flexiseq website and Facebook page
- Introduction of syndicated sales teams to target the UK and Ireland independent pharmacy sector resulting in 1200 new distribution points for Flexiseq
- A new 30g trial size for Flexiseq which delivered 32k units in 2019

ASCENSION HEALTHCARE PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

- Addition of a new Austrian drugstore chain, BIPA, listing Flexiseq in all 600 stores
- A new distribution partner (Apex Pharmaceuticals) for Malaysia and Singapore secured (subject to new CE mark)
- NPD initiatives resulting in five new projects planned for the Flexiseq brand portfolio for 2020-21
- A Successful Flexiseq User Study involving mild to moderate osteoarthritis patients showing improved mobility, joint health and reduction of traditional pain relief medication when using Flexiseq for the first time. This led to a partnered marketing programme with Lloyds pharmacy
- The 'Brand -Eye' 'love our Flexiseq' initiative which laid the foundation for our re-brand project for delivery in 2020

Volumes sold for each product are shown below:

	2019 units '000s:	2018 units '000s:
Flexiseq "OA" 50g	454	624
Flexiseq "OA" 30g	32	0
Flexiseq Active 50g	175	184
Flexiseq Active 100g	33	32

The average yield per unit decreased (2019: £6.36 versus 2018: £6.64) due to planned greater penetration into lower-priced overseas distributor markets and increased price promotions throughout the year to drive unit growth.

HAEMOPHILIA PROGRAMMES

In 2019 the Company had one Phase 2 clinical trial and two preclinical studies underway for the prophylactic treatment of Haemophilia A (HA), a blood clotting disorder associated with a deficiency of blood clotting Factor VIII (FVIII). Both the clinical and preclinical projects combine the company's proprietary pegylated liposome (PEGLip) and associated technologies with a FVIII sourced from a third party supplier.

The unique properties of PEGLip potentially enable it to cloak any attached FVIII such that it is not detected by the body's antibody immune system. For patients who develop inhibitory antibodies to exogenously administered FVIII (inhibitor patients) detection by the body's immune system would otherwise destroy it, thereby rendering any conventional FVIII replacement therapy ineffective.

Conventional HA replacement therapies for inhibitor patients which involve overwhelming the body's inhibitory response by administering FVIII intravenously in excessively large quantities - Immune Tolerance Induction (ITI) therapy are distressing for the patient due to the need for multiple injections. They are also expensive as they consume large quantities of costly FVIII.

A market niche therefore exists for inhibitor patients for a product that is not detected by a patient's inhibitory antibodies and that can reduce intravenous dosing frequency through an extension of haemostatic cover.

ASCENSION HEALTHCARE PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Ascension's SelectAte Phase 2 clinical trial addresses this market niche through a programme to intravenously co-administer PEGlip-FVIII for severe HA patients (i.e. those with less than 1% circulating FVIII) on a prophylactic basis. In conjunction with a Russian Contract Research Organisation, the clinical programme provides for patient trials across five internationally recognised clinical centres of excellence in Russia.

During 2019 the Company successfully sourced FVIII under a supply contract with a global blood products supplier, and following submission of the Clinical Trial Protocol and investigator brochures to the Russian regulator and Clinical Trial Investigators, the clinical trial commenced with one patient being dosed by year end. Clinical readouts are expected by the end of 2020.

Following initial submission of documents to the Regulator, a study arm was added to the clinical trial to provide data from a separate population of non-inhibitor patients to examine the effect on dosing interval of the supplied FVIII intravenously co-administered with PEGlip. It is anticipated that data on the effect on dosing interval and on FVIII half-life variability of our PEGlip-FVIII will increase commercial interest.

Ascension's preclinical SubcutAte study aims to provide data to support subcutaneously administered prophylactic replacement FVIII in severe HA patients – a subcutaneous version of SelectAte enabling patients to self-administer daily. By the end of 2019, preclinical SubcutAte studies in two animal species yielded indeterminate results. Plans to extend the study into a higher animal species to test for positive data were underway.

Ascension's preclinical ChapAte study aims to provide data to support prophylactically administered PEGlip alone for

- Moderate/mild HA haemophiliacs with VIII deficiency
- Severe HA haemophiliacs to augment their current standard of care
- Gene therapy patients to optimise auto-generated FVIII

By the end of 2019, positive preclinical data was obtained from testing on haemophilic mice and it is planned to accelerate this study into Phase 2 clinical trials as an extension arm to SelectAte in 2020.

Ascension's HA therapies are directed at exploiting the market niche for poorly served patients suffering distressing intravenous therapy and the unmet medical need of improved prophylaxis for severe haemophiliacs both with and without inhibitors.

Successful completion of one or more of these studies is expected by management to yield data to facilitate third party funding for further development or purchase of the Haemophilia Asset(s) in asset transactions.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the group and kept under review by the board of the Company have been summarised below. They are typical of the risks faced by early stage healthcare development companies.

Competition: The group has a competitive range of products but operates in a dynamic market, where competitive new products are launched from time to time. Relative to its size, the group spends substantial amounts on advertising and promotion but does not have the scale of marketing budget that is available to some of its larger competitors.

Product liability: While the group's marketed products have not shown any contra-indications in patients to date there is nonetheless a risk that some patients develop side effects. The group has put in place product liability insurance to cover claims arising should this happen. The consequent loss of sales volumes is, however, a risk that remains.

ASCENSION HEALTHCARE PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Regulatory approvals: The group has a solid track record in successfully obtaining all the necessary approvals for its current product range to be sold in the EU and a number of other countries.

The risks referred to in the 2018 Annual Report concerning securing a new European Union CE certificate for our Flexiseq products are removed as a new EU CE certificate as a Class 3 Medical Device was successfully obtained from a new Notified Body in May 2020.

Regulatory approval is also required for the planned haemophilia trials that are not already in the clinic. Whilst the Company was successful in obtaining regulatory approval for the SelectAte Phase 2 clinical trial, there can be no guarantee that future approvals for other planned clinical trials can be secured in the planned timeframe.

Patent protection and licences: The group has protected its current and future products and know-how with a range of patents to provide protection from imitators. In addition, the group has executed licence arrangements, assignments and IP purchases with other entities to ensure it has acquired all the technology it requires to develop its current and future ranges of products for the next several years. In addition, a comprehensive patent estate and freedom to operate reviews are underway in 2020 to further provide protection, if required. Despite this there is a risk that another party is successful in emulating one or more of the group's products without breaching its patents or intellectual property rights or that one of the group's products infringes the patents or intellectual property rights of a third party. In addition, there is the continuing risk during the prosecution of the Company's patents that an examiner will find fault with a filing and that the patent will not be granted in all territories in which the Company seeks protection. To ameliorate this the Company seeks to ring-fence patent applications with multiple approaches and retains the counsel of experienced patent agents to develop and prosecute filings. In addition, for the haemophilia products there may also be the opportunity to obtain orphan drug status and/or market exclusivity which work to provide a monopoly for a period after product launch.

Funding and liquidity: The group is currently consuming cash. However, as a result of the additional loan of £7.35m secured in 2019, further loan funding of £9.32m secured on 18 August 2020 involving the participation of the British Business Bank (BBB), as part of the UK Government's Future Fund Scheme, and cash generated from Flexiseq sales, the group expects to have a cash reach to at least the end of Q4 2021 to continue its Flexiseq business and complete the clinical and pre-clinical proof of concept studies in Haemophilia A. In addition, the secured loans which were due for repayment on 23 March 2020 have now been deferred to 30 November 2023 and the unsecured loan in which the BBB participated alongside existing investors matures on 18 August 2023. Although the directors are confident, that the group now has sufficient funding to continue its programmes, there is an albeit marginal risk that the group may not be able to progress certain of its programmes further into clinical development by Q4 2021. Also, the cash reach will not be sufficient to repay the loans which mature on 30 November 2023 and 18 August 2023. Although the directors and management are confident that these loan repayments may be addressed either via a loan restructuring/equitization or repayment from a partial or full exit of the business, there is a risk that either options may not be successful.

Brexit: Ascension Healthcare PLC is UK-based and makes a significant proportion of its sales within the UK through a group subsidiary also based in the UK. Product is manufactured by contractors in other EU countries and paid for in Euros. The group is therefore exposed to Foreign Exchange fluctuations that may be caused by Brexit implementation. At the time of writing, the future of Medical Device regulation for the UK post-Brexit is not known with certainty, nor is it known whether tariffs would be applied to product imported into the UK from an EU supplier. Management continues to review new information as it emerges and has contingency plans to manage uncertainties therefrom.

Key staff: As at 31 December 2019 the group has a permanent staff of around 18 FTEs. A number of the group's managers, researchers and other members of staff are highly talented and have been responsible for the group's success and achievements to date. With such a small team there is a risk that key members of management and staff will leave the business and cannot easily be replaced. Where practicable, the group has succession plans in place but because of the likely need to recruit externally there is a risk of delays in the execution of the group's business plan in the event of unexpected losses of staff.

ASCENSION HEALTHCARE PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

COVID-19: Ascension Healthcare PLC markets Flexiseq in 24 countries and conducts Haemophilia preclinical studies and clinical trials in 4 countries. The lockdowns initiated by the UK Government at the end of March 2020 and other national governments at differing times to contain the spread of COVID-19 has, at the time of writing, and will continue to have, in common with other businesses, an impact on the Ascension's commercial and the R&D businesses. The Company has taken steps to mitigate the impact on in-store retail sales through online channels such as Amazon and German online pharmacies. In addition, the Company has incorporated into its business plan the delaying impact of COVID-19 on its Haemophilia programme and its R&D teams have intensified collaboration with the CROs to ensure that preclinical studies and clinical trials progress as rapidly as possible. However, there can be no guarantee that despite these measures, the delaying impact of COVID-19 will have an effect on timing of projected milestones.

PROSPECTS FOR THE GROUP

With a new CE mark for Flexiseq obtained in May 2020 and fresh funding of £9.32m secured in August 2020, the Company's business plan approved on 16 June 2020 is clearly focused on growing the Flexiseq business and developing the Haemophilia Assets. Successful execution of these activities is expected to provide valuable returns to stakeholders. Both parts of the business are making progress towards this aim and management continues to consider options to increase stakeholder value and monetise the two business areas by transactions or by way of additional third party funding to further develop the assets.

In 2020 in common with other businesses across the world, government lockdowns to contain the spread of COVID-19, and its ensuing effects will continue to have an impact on Ascension's activities and timing of projected milestones. The Board and management will continue to take steps as required to mitigate any such impact.

Biresh Roy

Biresh Roy
Chief Executive
18 September 2020

ASCENSION HEALTHCARE PLC

BOARD OF DIRECTORS

Ascension's board of directors has a broad and complementary range of skills that will be invaluable in driving the group forward to achieve its business objectives and, as a result, to generate value for its stakeholders.

The board at the date of this report is set out below.

Jon Aisbitt, Non-Executive Chairman and member of the Audit Committee and the Remuneration Committee
Chairman of Pension Insurance Corporation. Previously Chairman of Man Group plc. More than 20 years' experience in international corporate finance and was previously Partner and Managing Director in the Investment Banking Division of Goldman Sachs.

Biresh Roy, Chief Executive Officer

Former Chief Financial Officer of Verona Pharma plc, a listed clinical stage bio-pharmaceuticals group, and a strategic executive with a track record in executing and financing international M&A deals and delivering turnarounds, mainly in the bio-pharmaceuticals sector. Previously acted as CFO for several biotech and medical device companies including Enigma Diagnostics, Xytis, Morphochem and Santhera.

Ali Baruni, Non-Executive Director

Over 42 years' experience in the financial services industry. Previously in senior roles at Bankers Trust Company and Citibank.

Dr. Richard Wolf-Garraway, Director of Intellectual Property and Strategy Development

Founder and shareholder of Ascension; partner of Celtic Pharma. Former head of technology incubator and investor in biotechnology companies at Imperial Innovations plc. Former FMCG and healthcare investment banker at JP Morgan. Former inventor of FMCG products with the Gillette Company. More than 20 years' experience in pharmaceutical product formulation and delivery technology.

Oleg Kiselev, Non-Executive Director

Formerly Deputy Chairman of the Executive Board of Rusnano Management Company LLC. Significant experience chairing and managing substantial Russian private and state sector enterprises.

David Quint, Non-Executive Director, Chairman of the Audit Committee and the Remuneration Committee

Chairman of Arundel AG and Chief Executive Officer of Arundel Group Limited, a boutique merchant bank based in Zurich and London. Previously Non-Executive Director of Nautilus Marine Services PLC, an oil and gas services company listed on AIM and privatised in 2019, Managing Director of Belden & Blake's UK subsidiary and an Attorney with Arter & Hadden.

Dmitry Pimkin, Non-Executive Director

Deputy Chairman of the Executive Board of Rusnano Management Company LLC; more than 15 years' experience in management, investment and strategic planning.

Vladimir Konovalov, Non-Executive Director and member of the Remuneration Committee

Managing Director of Management Company Rusnano; more than 15 years of investment management experience; previously Head of Analytical department of private equity fund Zindel Investment Partners.

ASCENSION HEALTHCARE PLC

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 Pro Bono Bio PLC to Ascension Healthcare PLC on 4 January 2019.

Directors of the company

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

Jon Aisbitt
Ali Baruni
Oleg Kiselev
Vladimir Konovalov (appointed 26 June 2019)
Dmitry Pimkin (appointed 26 June 2019)
David Quint
Irina Rapoport (resigned 17 May 2019)
Biresh Roy
Dmitry Volokhov (resigned 26 June 2019)
Richard Wolf-Garraway

Company Secretary

Justin Bowen, the group's General Counsel, was appointed and Throgmorton Secretaries LLP resigned as Ascension's Company Secretary on 16 June 2020.

Result

The loss after tax of the group for 2019 was £34,053,000 (2018: restated profit of £7,854,000).

Dividends

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

Research and development

Evaluation of new product development options for the Flexiseq business continued in 2019 resulting in the identification of several new projects to expand the Flexiseq brand portfolio in 2020-21. A Flexiseq User Study was completed showing improved mobility, joint health and reduction of traditional pain relief medication when using Flexiseq for the first time. The 'Brand -Eye' 'love our Flexiseq' project was initiated laying the foundation for Flexiseq re-branding in 2020.

Regulatory work was continued to access new markets for Flexiseq, including progress on the registration of a marketing authorisation application for Russia, supported by a successful Flexiseq Russia clinical trial. Such authorisation is expected by the end of 2020.

The Haemophilia A proof of concept clinical and preclinical programmes were underway in 2020 with preclinical work completed, and for the lead clinical programme, SelectAte, first patient dosing achieved by year end. Clinical readouts are expected in 2020.

The Company's Medical and Scientific Advisory Board (MSAB), established in 2018, to provide expert advice based on detailed scientific, clinical and industry-specific commercial knowledge for the company's Haemophilia programmes continued to provide such invaluable support throughout 2019.

ASCENSION HEALTHCARE PLC**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

Prior Years' Adjustments

Ascension issued warrants to investors in certain group companies (see note 29) on loan draw downs in 2017, 2018 and 2019. Though these warrants are separate instruments, the group's view is that they should be accounted for as linked instruments, with the loan draw down equating to the fair value of the loan and the fair value of the warrants. The group also reversed the 2018 shared based payment charge on the 2017 warrants due to the change in the accounting treatment of the warrants. Further details are provided in note 21.3.

Events since the balance sheet date

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 Group at this time.

In May 2020, the Company successfully obtained European Union CE certification for Flexiseq as a Class 3 Medical Device. This EU accreditation enables the Company to use the CE mark on its packaging to support sales in existing markets and enable registration in new markets.

In August 2020, the Company successfully secured £9.32m in a funding round with the participation of existing investors and, for the first time a new investor, the British Business Bank under the UK Government's Future Fund scheme. On the basis of the Company's business plan approved in June 2020, such funding is anticipated to provide cash reach to at least Q4 2021.

Please also see note 30 for further details on the events since the balance sheet dates.

Financial instruments

Other than the derivative embedded in its convertible preference shares, the group did not use derivative financial instruments during the year. Details of the group's financial risk management are included in note 21 to the financial statements.

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.

Political donations

The group has not made any political donations during the year.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Should existing employees become disabled, it is the group's policy to provide continuing employment wherever affordable and practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

ASCENSION HEALTHCARE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Employee involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. All employees are encouraged to present their suggestions and views on the group's performance. Regular meetings are held between management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the group's bonus and share option schemes.

Auditor

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

On behalf of the board of directors

Jon Aisbitt

Jon Aisbitt
Chairman
18 September 2020

ASCENSION HEALTHCARE PLC

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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 IFRSs as adopted by the European Union 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 PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASCENSION HEALTHCARE PLC

Opinion

We have audited the financial statements of Ascension Healthcare plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019, which comprise the consolidated income statement, the consolidated and company statement of total comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated and company cashflow statements 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss and the parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 31.1 to the group financial statements, the group in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with IFRSs as issued by the IASB.

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 group and the parent 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.

Emphasis of matter – Value of intangible assets

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in notes 5 and 9 to the financial statements concerning the carrying value, impairment and disclosure of the group's intangible assets. The group's accounting policy requires an annual impairment review of the carrying values of intangibles assets. As described, in note 9 the value in use calculations in respect of the Haematology and Sequessome intangible assets are dependent upon and assume achieving successful clinical trials results for the Haematology products, and raising sufficient investment to enable the clinical trials to be undertaken.

ASCENSION HEALTHCARE PLC**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASCENSION HEALTHCARE PLC**

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.

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.

ASCENSION HEALTHCARE PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASCENSION HEALTHCARE PLC

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 15, 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 group's and the parent 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 parent 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.

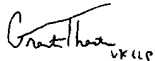
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

ASCENSION HEALTHCARE PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASCENSION HEALTHCARE PLC

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.

A handwritten signature in black ink, appearing to read 'Chris Raab', with 'UK LLP' written in small capital letters below it.

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

ASCENSION HEALTHCARE PLC

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 (Restated) £'000
Revenues	2	4,417	5,250
Grant and other income		-	2
Total revenue and grant income		4,417	5,252
Cost of sales	3	(1,843)	(1,958)
Gross profit		2,574	3,294
Advertising and promotion costs		(1,443)	(1,105)
Research and development costs		(3,403)	(886)
Selling, general and administrative costs	4	(3,903)	(3,603)
Bad debt expense		-	(112)
Depreciation and amortisation		(894)	(603)
(Impairment)/revaluation of intangible assets	5	(2,691)	4,099
Total expenses		(12,334)	(2,210)
Operating (loss) / profit		(9,760)	1,084
Finance costs	6	(2,228)	(4,960)
		(2,228)	(4,960)
(Loss) / gain on revaluation of convertible preference share liability	17		
Amortisation of host component		(20,000)	(20,000)
Revaluation of embedded derivative component		(3,500)	32,500
		(23,500)	12,500
(Loss) / profit before income tax		(35,488)	8,624
Income tax credit / (charge)	8	1,435	(770)
(Loss) / profit for the financial year		(34,053)	7,854
(Loss) / profit for the financial year attributable to:			
Owners of the parent		(34,025)	7,872
Non-controlling interest		(28)	(18)
		(34,053)	7,854

The notes on pages 29 to 62 are an integral part of these consolidated financial statements.

ASCENSION HEALTHCARE PLC

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

	Year ended 31 Dec 2019	Year ended 31 Dec 2018 (Restated)
	£'000	£'000
(Loss) / profit for the financial year	(34,053)	7,854
Items that may subsequently be reclassified to profit and loss		
Exchange differences on translating foreign operations	377	(1)
Total comprehensive income for the year	<u>(33,676)</u>	<u>7,853</u>
Total comprehensive (loss) / income attributable to:		
Owners of the parent	(33,648)	7,871
Non-controlling interest	(28)	(18)
Total comprehensive income for the year	<u>(33,676)</u>	<u>7,853</u>

The notes on pages 29 to 62 are an integral part of these consolidated financial statements.

ASCENSION HEALTHCARE PLC

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

ASSETS

	Note	2019 £'000	2018 (Restated) £'000
Non-current assets			
Intangible assets	9	187,009	190,560
Property, plant and equipment	10	21	13
Total non-current assets		<u>187,030</u>	<u>190,573</u>
Current assets			
Inventories	11	107	260
Trade and other receivables	12	2,015	1,610
Income taxes recoverable		270	161
Cash and cash equivalents		<u>5,619</u>	<u>3,354</u>
Total current assets		<u>8,011</u>	<u>5,385</u>
Total assets		<u>195,041</u>	<u>195,958</u>

The notes on pages 29 to 62 are an integral part of these consolidated financial statements.

ASCENSION HEALTHCARE PLC

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

EQUITY AND LIABILITIES

	Note	2019 £'000	2018 (Restated) £'000
Non-current liabilities			
Convertible preference shares	17	66,000	42,500
Borrowings	14	32,368	22,366
Provisions for other liabilities and charges	15	11,469	11,874
Deferred tax liability	16	67,612	68,850
		<u>177,449</u>	<u>145,590</u>
Current liabilities			
Borrowings	14	-	646
Trade and other payables	13	4,223	2,881
Total current liabilities		<u>4,223</u>	<u>3,527</u>
Total liabilities		<u>181,672</u>	<u>149,117</u>
Equity attributable to owners of the parent			
Share capital and share premium	18	4,148	4,148
Other reserves		665	461
Currency translation reserve		451	74
Profit and loss reserve		(73,238)	(39,213)
		<u>(67,974)</u>	<u>(34,530)</u>
Non-controlling interests		81,343	81,371
Total equity		<u>13,369</u>	<u>46,841</u>
Total equity and liabilities		<u>195,041</u>	<u>195,958</u>

The financial statements of Ascension Healthcare PLC (registration number 08705972) on pages 20 to 62 were authorised for issue by the board of directors on 18 September 2020 and were signed on its behalf.

Biresh Roy

Biresh Roy
Chief Executive Officer

Richard Wolf-Garraway

Richard Wolf-Garraway
Director of Intellectual Property
and Strategy Development

The notes on pages 29 to 62 are an integral part of these consolidated financial statements.

ASCENSION HEALTHCARE PLC

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2019

	Note	2019 £'000	2018 (Restated) £'000
Non-current assets			
Investments in subsidiaries	22	<u>10,019</u>	<u>10,019</u>
Current assets			
Trade and other receivables		108	64
Amounts due from subsidiary undertakings		18,646	14,165
Cash and cash equivalents		<u>5,103</u>	<u>2,705</u>
Total current assets		<u>23,857</u>	<u>16,934</u>
Total assets		<u>33,876</u>	<u>26,953</u>
Non-current liabilities			
Convertible preference shares	17	66,000	42,500
Borrowings	14	32,368	22,366
Amounts due to subsidiary undertakings		<u>68,396</u>	<u>68,481</u>
		<u>166,764</u>	<u>133,347</u>
Current liabilities			
Borrowings	14	-	646
Trade payables		90	171
Accruals		<u>132</u>	<u>189</u>
		<u>222</u>	<u>1,006</u>
Total liabilities		<u>166,986</u>	<u>134,353</u>
Equity attributable to owners of the parent			
Share capital and share premium	18	4,148	4,148
Other reserves		665	461
Profit and loss reserve		<u>(137,923)</u>	<u>(112,009)</u>
Total equity		<u>(133,110)</u>	<u>(107,400)</u>
Total equity and liabilities		<u>33,876</u>	<u>26,953</u>

The financial statements of Ascension Healthcare PLC (registration number 08705972) on pages 20 to 62 were authorised for issue by the board of directors on 18 September 2020 and were signed on its behalf.

Biresh Roy

Biresh Roy
Chief Executive Officer

Richard Wolf-Garraway

Richard Wolf-Garraway
Director of Intellectual Property
and Strategy Development

The notes on pages 29 to 62 are an integral part of these consolidated financial statements.

ASCENSION HEALTHCARE PLC

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

Note	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation reserve £'000	Profit and loss reserve £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2018	124	4,024	-	75	(47,085)	(42,862)	81,389	38,527
Profit for the financial year (restated)	-	-	-	-	7,872	7,872	(18)	7,854
Translation of foreign operations	-	-	-	(1)	-	(1)	-	(1)
Total comprehensive income for the year	-	-	-	(1)	7,872	7,871	(18)	7,853
Warrants reserve (restated)	-	-	461	-	-	461	0	461
Balance at 31 December 2018	124	4,024	461	74	(39,213)	(34,530)	81,371	46,841
Balance at 1 January 2019 (restated)	124	4,024	461	74	(39,213)	(34,530)	81,371	46,841
Loss for the financial year	-	-	-	-	(34,025)	(34,025)	(28)	(34,053)
Translation of foreign operations	-	-	-	377	-	377	-	377
Total comprehensive income for the year	-	-	-	377	(34,025)	(33,648)	(28)	(33,676)
Warrants reserve	-	-	204	-	-	204	-	204
Balance at 31 December 2019	124	4,024	665	451	(73,238)	(67,974)	81,343	13,369

Share premium account represents the excess subscription price over nominal value for issued shares.

Currency translation reserve is accumulated gains and losses for non-monetary assets and liabilities and foreign subsidiaries denominated in foreign currency.

Other reserves comprise the accumulated movements of the fair value of the detachable warrants issued with the secured loans.

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

The notes on pages 29 to 62 are an integral part of these consolidated financial statements.

ASCENSION HEALTHCARE PLC

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

Note	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss reserve £'000	Total equity £'000
Balance at 1 January 2018	124	4,024	-	(122,321)	(118,173)
Total comprehensive income for the year (restated)	-	-	-	10,312	10,312
Total	124	4,024	-	(112,009)	(107,861)
Warrants reserve (restated)	0	0	461	-	461
Balance at 31 December 2018	124	4,024	461	(112,009)	(107,400)
Balance at 1 January 2019 (restated)	124	4,024	461	(112,009)	(107,400)
Total comprehensive income for the period	-	-	-	(25,914)	(25,914)
Total	124	4,024	461	(137,923)	(133,314)
Warrants reserve	-	-	204	-	204
Balance at 31 December 2019	124	4,024	665	(137,923)	(133,110)

Share premium account represents the excess subscription price over nominal value for issued shares.

Other reserves comprise the accumulated movements of the fair value of the detachable warrants issued with the secured loans.

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

The notes on pages 29 to 62 are an integral part of these consolidated financial statements.

ASCENSION HEALTHCARE PLC

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 Dec 2019	Year ended 31 Dec 2018 (Restated)
	Note	£'000	£'000
Cash flows from operating activities			
Cash flows used in operating activities	19	(5,045)	(2,782)
Finance income received/(costs paid)		(104)	(360)
Income tax credits received		105	190
Net cash flows used in operating activities		<u>(5,044)</u>	<u>(2,952)</u>
Cash flows from investing activities			
(Purchase)/disposal of property, plant and equipment		<u>(41)</u>	<u>-</u>
Net cash flows used in investing activities		<u>(41)</u>	<u>-</u>
Cash flows from financing activities			
New borrowings	14	<u>7,350</u>	<u>2,876</u>
Net cash flows generated from financing activities		<u>7,350</u>	<u>2,876</u>
Net increase/(decrease) in cash and cash equivalents		2,265	(76)
Cash and cash equivalents at 1 January		<u>3,354</u>	<u>3,430</u>
Cash and cash equivalents at 31 December		<u>5,619</u>	<u>3,354</u>

The notes on pages 29 to 62 are an integral part of these consolidated financial statements.

ASCENSION HEALTHCARE PLC

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 (Restated) £'000
Cash flows from operating activities		
Cash (outflows)/inflows from operations	657	1,213
Finance income received/(costs paid)	(104)	(1,090)
Net cash flows used in operating activities	553	123
Cash flows from investing activities		
Loans to and investments in subsidiaries	(5,505)	(2,982)
Net cash flows used in investing activities	(5,505)	(2,982)
Cash flows from financing activities		
New borrowings	7,350	2,876
Net cash flows generated from financing activities	7,350	2,876
Net increase in cash and cash equivalents	2,398	17
Cash and cash equivalents at 1 January	2,705	2,688
Cash and cash equivalents at 31 December	5,103	2,705

The notes on pages 29 to 62 are an integral part of these consolidated financial statements.

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****INTRODUCTION**

Ascension Healthcare PLC ("Ascension" or the "Company") and its subsidiaries (together the "Group") principally engage in the business of developing and selling healthcare products. The Company is a limited liability company incorporated on 25 September 2013 and is domiciled in the United Kingdom.

1. Going concern

During 2019, Ascension drew down £7.4m under the existing secured Loan agreement (see note 14). 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 (see note 30 for details). 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 clinical and pre-clinical 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 group recorded an operating loss of £9.8m and an operating cash outflow of £5.0m for the year to 31 December 2019 and the group is reliant on the funding from the secured Loan, which previously matured on 23 March 2020 and was restructured after the year end to mature on 30 November 2023, and the unsecured CLA, which matures on 18 August 2023.

The Directors and management believe that the group, with support from 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. Accordingly, the Group and the Company financial statements do not include the adjustments that would be required if the Group and the Company were unable to continue as a going concern.

2. Revenues

Operating segments are determined by the chief operating decision maker based on information used to allocate the company's resources. It has been determined that there is one operating segment for the group's sale of its healthcare products.

Revenues from external customers by country, based on the destination of the customer:

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
UK and Ireland	3,076	3,489
Continental Europe	1,128	1,307
Asia	18	324
Rest of world	195	130
	<u>4,417</u>	<u>5,250</u>

Revenues of approximately £917,000 (2018: £1.1 million) are derived from a single external customer. These revenues were generated in the UK.

ASCENSION HEALTHCARE PLC

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

3. Cost of sales

The cost of inventories recognised as an expense and included in cost of sales amounted to £1,222,000 (2018: £1,200,000).

4. Selling, general and administrative costs

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Management and administrative costs	2,512	2,163
Professional fees	646	746
Travel expenses	208	88
Establishment and other costs	537	606
	<u>3,903</u>	<u>3,603</u>

Selling, general and administrative costs include the following amounts payable for the audit of the company and its subsidiaries.

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Fees payable to the Company's auditor and its associates for the audit of the parent Company, Group consolidated and subsidiary financial statements	<u>151</u>	<u>156</u>
	<u>151</u>	<u>156</u>

5. (Impairment)/revaluation of intangible assets

	Note	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
(Impairment) / revaluation of intangible assets as a resulting from fair value adjustment to Sequessome	9	<u>(2,691)</u>	<u>4,099</u>
		<u>(2,691)</u>	<u>4,099</u>

At the end of 2019, an impairment test was applied to the group's Sequessome assets by comparing the year end carrying value of the intangible asset to a valuation carried out by independent third party valuers.

The recoverable amounts of the Sequessome asset is determined from VIU calculations. VIU is determined by discounting the future pre-tax cash flows generated from the continuing use of the CGU, using a pre-tax discount rate.

Cash flow projections, which have been reviewed and approved by the Board, are derived from forecasts produced by management, based on the group's strategic plan. Projections have been calculated for 2 years to 2021, and thereafter until 2038 derived from the forecast using prudent nominal growth rates. The assumptions used are 2% per cent sales growth, consistent gross margins and SG&A overheads. Discount rates are estimated using pre-tax rates that reflect the group's weighted average cost of capital.

ASCENSION HEALTHCARE PLC

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

The valuers' report, using the same methodology as in 2018 and using the updated business plan forecasts, provided a midpoint valuation of £10m. Therefore, a £2.7m impairment was applied. Charges to these key inputs may result in a larger impairment.

6. Finance income and costs

	Year ended 31 Dec 2019	Year ended 31 Dec 2018 (Restated)
	£'000	£'000
Interest expense		
Paid and accrued	(2,387)	(1,753)
Amortisation of fee associated with Knight loan (see note 14)	-	(191)
Unwinding of loan FV discount (see note 14)	(338)	(112)
Provision charge for deferred consideration (see note 15)	-	(1,549)
Exchange differences	532	(1,299)
Other finance/bank charges	(35)	(56)
Finance costs	(2,228)	(4,960)
Net finance (costs)	(2,228)	(4,960)

7. Employee benefits

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	£'000	£'000
Wages and salaries (including benefits and bonuses)	2,056	1,679
Employer payroll taxes	236	219
Employer pension contributions	73	81
	2,365	1,979

The average number of personnel employed during in 2019 was 16 (2018: 17).

Remuneration paid by the group to the Directors of the parent company is set out below.

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	£'000	£'000
Short-term employee benefits	573	662
	573	662

Short term employee benefits include salaries, benefits in kind; and pension contributions. Pensions contributions of £32k (2018: £26k) are included in the above.

Remuneration paid by the group to the highest paid director is set out below.

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	£'000	£'000
Directors emoluments	340	206
	340	206

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****8. Income tax expense**

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2019 £'000
Current tax		
Current tax on loss for the year	(197)	-
Total current tax	(197)	-
Deferred tax (credit)/expense	(1,238)	770
Income tax (credit)/expense	(1,435)	770

The tax on the group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 (Restated) £'000
Reconciliation of tax expense		
Profit / (Loss) before tax	(35,488)	8,624
Tax at the UK corporation tax rate of 19% (2018: 19%)	(6,878)	1,639
Tax effects of:		
Tax losses and other differences for which no deferred income tax asset was recognised	5,252	(659)
Overseas tax not at standard rate	388	(210)
R&D Tax Credit	(197)	-
Tax (credit)/expense	(1,435)	770

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.

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****9. Intangible assets**

	Goodwill £'000	Intellectual property, trademarks and licences £'000	Total £'000
Cost			
As at 31 December 2018 and 2019	<u>217</u>	<u>778,260</u>	<u>778,477</u>
Accumulated amortisation and impairment			
As at 31 December 2017	-	591,200	591,200
Amortisation charge	-	599	599
(Impairment)	<u>217</u>	<u>(4,099)</u>	<u>(3,882)</u>
As at 31 December 2018	<u>217</u>	<u>587,700</u>	<u>587,917</u>
Amortisation charge	-	860	860
Reversal of impairment	-	2,691	2,691
As at 31 December 2019	<u>217</u>	<u>591,251</u>	<u>591,468</u>
Cost	217	778,260	778,477
Accumulated amortisation	<u>(217)</u>	<u>(591,251)</u>	<u>(591,468)</u>
As at 31 December 2019	<u>-</u>	<u>187,009</u>	<u>187,009</u>

Intellectual property, trademarks and licences of approximately £778m arose upon the acquisition of all of the group's material subsidiaries between July and September 2014 and which now comprise the majority of the group's current operations. These acquisitions were accounted for as a business combination in 2014 and subject to impairment reviews since then.

For 2019 an independent year-end valuation by independent third party valuers of the Haematology and Sequessome assets was carried out as part of the impairment review. The valuation, based on VIU calculations, requires estimation of potential future sales and margins based on anticipated market share, discounted to present value using an appropriate discount rate based on the group's weighted average cost of capital of 16%, and are dependent upon and assume achieving clinical trial results for the Haematology product. The valuation of the Haematology asset is dependent on raising sufficient investment to enable the clinical trials to be undertaken for which there are plans in place, identified in note 1 to the financial statements.

The fair values resulting from the valuation were £416m and £10m for Haematology and Sequessome respectively. The carrying value of the Haematology asset at £177m is being maintained and the Sequessome asset impaired to £10m.

The group's intellectual property and licence assets had a carrying value at the end of 2019 of £187m (2018: £191m).

ASCENSION HEALTHCARE PLC

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

10. Property, plant and equipment

	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
As at 1 January and 31 December 2018	69	58	127
Additions	-	41	41
As at 31 December 2019	69	99	168
Depreciation			
As at 1 January 2018	(53)	(57)	(110)
Charge for the year	(4)	-	(4)
As at 31 December 2018	(57)	(57)	(114)
Charge for the year	(7)	(26)	(33)
As at 31 December 2019	(64)	(83)	(147)
Net Book Value			
As at 31 December 2019	5	16	21
As at 31 December 2018	12	1	13

The group fully outsources its supply chain and logistics activities and therefore does not hold any significant tangible fixed assets.

11. Inventories

The group's inventories comprise only finished goods.

12. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	785	622
Other receivables	508	15
Other asset	598	833
Prepaid expenses	124	140
	<u>2,015</u>	<u>1,610</u>

During 2019 the group wrote off bad debts against trade receivables of £Nil (2018: £112,000) and made no provisions against other receivables (2018: £nil). Trade receivables have been reviewed under the expected credit loss model and Management have concluded that no provision is required at the year end.

Other asset comprises the estimated fair value of the contingent consideration receivable from Spero Therapeutics Inc arising for the sale of the group's anti-infective activities in 2016. This arrangement is considered to be a level 3 financial instrument. The amounts of deferred and contingent consideration have been assumed to be paid between 2020 and 2027 and have been discounted at a rate of 15% to derive the fair value of this financial asset. Were the contingent payments assumed to be received a year later, the value of this asset would have been reduced by £90,000. Were the discount rate used one percentage point higher the value of this asset would have been reduced by £16,000.

ASCENSION HEALTHCARE PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The carrying amounts of the group's trade receivables are denominated in the following currencies:

	2019 £'000	2018 £'000
Sterling	184	337
Euro	573	215
US dollar	22	65
Russian Rouble	6	5
	<u>785</u>	<u>622</u>

Included within trade receivables were amounts due from three parties that amounted to £588,000 in aggregate. The amounts due from two parties of £238,000 have since been recovered.

13. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	703	690
Other payables	493	460
Social security and other taxes	78	104
Accrued expenses	<u>2,949</u>	<u>1,627</u>
	<u>4,223</u>	<u>2,881</u>

14. Borrowings

			2019 £'000	2018 (Restated) £'000
	Interest rates applicable in 2019	Maturity		
Non-current				
Loan	10 per cent.	2023	<u>32,368</u>	<u>22,366</u>
			<u>32,368</u>	<u>22,366</u>
Current				
Loan	10 per cent.	2023	<u>-</u>	<u>646</u>
			<u>-</u>	<u>646</u>

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The table below sets out the fair value of the liability of the group's borrowings as at 31 December 2019.

	2019	2018 (Restated)
£'000	£'000	£'000
Liability as at 1 January		18,485
Prior year adjustment (note 21.3)		
FV of warrants to Equity Reserve 2017		(286)
Unwinding of FV discount 2017		1
Adjusted liability as at 1 January (2018 restated)	23,012	18,200
Loan drawn down	7,350	2,876
FV of warrants to Equity Reserve	(204)	(175)
FV of loan	7,146	2,701
Unwinding of FV discount	338	111
Effective interest capitalised	2,179	1,391
Accrued loan interest	86	47
Amortisation of fee associated with loan and accrued interest (see note 6)	-	191
Exchange differences	(392)	371
Liability as at 31 December	32,368	23,012

As at 31 December 2019, the total actual amount due on the secured loan, including the finance fee, amounted to £32,719,000 (2018: £23,367,000).

On 27 March 2017 the Company entered an assignment and amendment agreement with Knight Therapeutics (the provider of the Company's borrowings up until then) and Fonds Rusnano Capital SA ("Rusnano") whereby the loan advanced by Knight pursuant to a loan agreement dated 25 June 2015 (the "Loan Agreement") was assigned to Rusnano, which is a party related to the company. As part of this agreement the loan principal which at that time amounted to US\$13,125,000 would be repayable in 8 equal quarterly instalments of US\$820,312.50 commencing on 23 June 2017 with the balance repayable on 23 March 2020. In addition, the rate at which interest would payable on the loan was reduced from 12% to 10% per annum and the interest that would otherwise have been payable on 26 March 2017 was deferred until 23 June 2017. Furthermore, it was agreed that the financial covenants, including minimum EBITDA and minimum cash balance, set out in the Loan Agreement would not be applied until 1 July 2017. It has since been agreed that the financial covenants set out in the Loan Agreement would not be applied until 1 January 2018 unless such financial covenants are otherwise amended prior to that date.

The original Knight loan provisions relating to a fee (the 'Fee') of between \$2.0m and \$2.75m payable in equity or cash at the Company's option on the next equity issue that raises \$25m or more was carried over into the Rusnano agreement.

The initial fair value of the liability portion of the loan was determined by deducting an estimate of the fair value of the Fee based on the anticipated amount and expected timing of payment of the Fee. Based on this assumption and the scheduled repayments of principal and interest under the loan agreement, the effective cost of this arrangement is estimated to be 15% per annum. The outstanding liability is recognised on an amortised cost basis pro rata to the amount of the loan outstanding over its term to maturity. This accounting treatment was carried over into the assigned loan with Rusnano. A comparison of the net present value of cash flows under the Knight and Rusnano arrangements confirms that the assignment does not amount to a loan modification.

ASCENSION HEALTHCARE PLC

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

On 11 May 2017 the Company entered into a Supplemental Agreement with Rusnano under which Rusnano agreed to make additional loans to the Company in an amount of £660,000 as soon as practicable after the date of this supplemental agreement and £2,340,000 on such dates as shall be agreed by the parties. These loans were drawn in full by 2 June 2017, attract interest at a rate of 10% per annum, are repayable in full on 23 March 2020 and are to be governed by the aforementioned Loan Agreement including benefiting from all security provided by the Company pursuant to such agreement. Rusnano also agreed to make such further loans as it may, in its sole discretion, agree with the Company.

Pursuant to the agreement dated 11 May 2017, Rusnano made a further secured loan of £725,000 to the Company on 4 August 2017. This additional loan is also governed by the terms of the amended Loan Agreement.

On 22 September 2017 Rusnano agreed to defer 80% of the interest payable under the Loan Agreement on 23 September 2017 with the amount deferred being added to the loan principal.

On 21 December 2017 the Company entered into a Supplemental Loan Agreement with Rusnano under which Rusnano and certain shareholders agreed to make an additional loan to the Company totalling £2.75m at an interest rate of 10% per annum and repayable in full on 23 March 2020, which is governed by the aforementioned Loan Agreement, including benefiting from all security provided by the Company pursuant to such agreement. Under the terms of the Supplemental Loan agreement, 80% of the interest is to be rolled up and payable on maturity.

On 21 December 2017 Rusnano agreed to defer 80% of the interest payable under the Loan Agreement on 23 December 2017 with the amount deferred being added to the loan principal. 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.

The Group issued warrants to investors (see note 28) on loans made on 21 December 2017, 13 December 2018 and 4 October 2019. The loan and warrants, though separate instruments, have been accounted for as linked instruments in accordance with IAS 32 and IFRS 9 (see note 29).

Rusnano agreed to waive the cash interest payable on the entire loan from 24 March 2019 and the interest to be rolled up and payable on maturity.

As at the date of these accounts the Company was in full compliance with all existing covenants under the Loan Agreement.

A Supplemental Agreement dated 11 August 2020 between the Company and Rusnano agreed to extend the Loan maturity date to 30 November 2023 and waive the revenue and EBITDA covenants. In addition, changes were made to allow for the unsecured Convertible Loan Agreement with the British Business Bank's Future Fund (see note 30 for further details on this loan).

ASCENSION HEALTHCARE PLC

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

15. Provisions for other liabilities and charges

	Deferred and contingent consideration £'000
At 31 December 2017	9,746
Increase in value due to reassessment of timing of contingent consideration payable	1,549
Exchange differences	579
At 31 December 2018	<u>11,874</u>
Exchange differences	(405)
At 31 December 2019	<u>11,469</u>

By an agreement dated 18 November 2014 PBB (Malta) Limited ("PBBM") acquired Recoly and its subsidiaries for consideration payable as follows: (1) low single digit royalties on aggregate net sales; and (2) contingent consideration of \$10 million upon FDA approval in the US or two major EU countries and \$10 million upon cumulative Net Sales on Products reaching \$50 million. PBBM also agreed to pay €17,500 at closing to settle amounts due to former shareholders and €687,000 to settle amounts due to former shareholders, but only if cumulative Net Sales on Products reach \$10 million

Management has assessed the fair value of the liabilities assumed by PBBM under the share purchase agreement. For this purpose management has assessed the fair value of these liabilities to equal the sum of the consideration payable in the event of FDA approval and sales exceeding \$50 million giving an aggregate expected payment for deferred consideration of \$20 million.

This arrangement is considered to be a level 3 financial instrument. The amounts of contingent consideration described above have been assumed to be paid in 2021 and have been discounted at a rate of 15% to derive the fair value of this financial liability. Had the contingent payments been made a year later than assumed, the liability would have been reduced by £1.5 million. Had the discount rate used been one percentage point higher the liability would have been reduced by £0.2 million.

In addition, the provisions when originally recorded in 2014 included an undiscounted amount of deferred consideration of £0.5 million payable in respect of the acquisition of Pro Bono Bio Group PLC on 7 July 2014. This was reduced during 2015 to an amount of £0.3 million at end 2015 and was settled in 2016 with a related party following an agreement between the vendor, the related party and members of the Ascension group.

16. Deferred tax liability

The movement on the deferred income tax account is set out below.

	2019 £'000	2018 £'000
As at 1 January	68,850	68,080
Income statement (credit) / charge (see note 8)	<u>(1,238)</u>	<u>770</u>
As at 31 December	<u>67,612</u>	<u>68,850</u>

The deferred tax liability was recorded at the same time as the fair value adjustment was made in respect of the intangible assets acquired by the group in 2014.

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The movement on the deferred tax account in 2019 includes a decrease of the deferred tax provision of £0.9 million (2018: increase of £0.8 million) which relates to the revaluation of intangible assets during 2019. Further details of the impairment are set out in note 6 to these financial statements.

The group did not recognise deferred income tax assets in respect of accumulated tax losses for the Company and its subsidiaries totalling £61 million (2018: £56 million) that may be carried forward against future taxable income.

17. Convertible preference shares

On 11 September 2014 the Company issued 300,000,000 convertible preference shares at nominal value of £1 per convertible preference share ("CPS") in consideration for the acquisition of certain subsidiaries.

The CPS rank equally for dividends and pro rata to all other shares on a return of capital or liquidation. The CPS may not attend, speak or vote at general meetings of the company. The CPS will convert into ordinary shares upon a conversion event (a sale or an IPO) such that the fully diluted number of ordinary shares represented by the CPS equals 30% of the capital in issue, provided that the total funding level (cash subscribed for ordinary shares between the date of issue and the date of conversion of the CPS) does not exceed the total funding threshold (US\$300 million). On 11 September 2020, being the 6th anniversary of the date of adoption of the articles, the Company may, at its option, either redeem the CPS for £300 million in cash, or convert the CPS into ordinary shares, provided that number of fully diluted shares represented by CPS equals 40% of the capital in issue.

Because the CPS does not convert into a predetermined fixed number of ordinary shares, it does not meet one of the conditions stipulated in IAS 32 for the instrument to be recorded as an equity instrument. Although the instrument imposes no obligation on the Company to make any cash distributions to the holders of the CPS and has all the other features of an equity instrument stipulated in IAS 32, it has nevertheless been recorded as a financial liability of the Company in its consolidated financial statements in order to comply strictly with the requirements of IFRS.

IFRS9 stipulates that after initial recognition, an entity shall measure a financial liability of the nature of the CPS at amortised cost, fair value through other comprehensive income or fair value through profit or loss. IFRS9 identifies embedded derivatives, as a component of a hybrid contract that include a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way that is similar to a stand-alone derivative. If a hybrid contract contains a host that is not an asset, an embedded derivative shall be separated from the host and accounted for as a derivative under IFRS9. IFRS9 further requires that where an embedded derivative may be separated from the host contract then it must be measured at fair value through the profit and loss account.

According to the definitions in IFRS9 the CPS may be considered to be a hybrid contract with two components as set out below.

Host liability: The Company has the obligation to pay £300 million to redeem the CPS on 11 September 2020.

Embedded derivative: The Company has a contingent obligation to effect a conversion of the CPS into 30% of the ordinary share capital in issue of the Company upon a sale or an IPO prior to 11 September 2020 or the option to effect a conversion of the CPS into 40% of the ordinary share capital in issue of the Company on 11 September 2020.

The host liability should be measured on the basis of amortised cost. Since the embedded derivative can be separately identified from the host liability it should be measured at fair value through the profit and loss account.

The CPS has been valued as a hybrid contract upon initial recognition and subsequently re-measured as set out in the table below.

ASCENSION HEALTHCARE PLC

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

	Host component £'000	Embedded derivative component £'000	Convertible preference share £'000
As at 31 December 2017	230,000	(175,000)	55,000
Remeasurement of convertible preference share liability	20,000	(32,500)	(12,500)
As at 31 December 2018	250,000	(207,500)	42,500
Remeasurement of convertible preference share liability	20,000	3,500	23,500
As at 31 December 2019	270,000	(204,000)	66,000

The group has reviewed the valuation of its convertible preference share liability in the context of its more focussed strategy. The carrying value of this liability was based on the fair value of the fully diluted equity of the Company derived from both independent valuations and from forecasts of discounted future cash flows. These are highly judgemental, for products that are both launched and in development phases. The value is also dependent upon an assessment of the probability that a conversion event will occur in the period from the date of valuation until 11 September 2020. Given the highly judgemental nature of the assumptions involved in valuing this liability, there is a significant risk that the actual value of the convertible preference share liability could be materially different from the carrying value in these financial statements.

Sensitivity analysis

This arrangement is considered to be a level 3 financial instrument. The amount of the convertible preference share liability is dependent in particular upon the assumed value of the equity of the Company and also the probability of a conversion event occurring before 11 September 2020. Had the value of the equity of Ascension been 10% higher than the value assumed, the CPS liability would have increased by around £3 million. Had the probability of a conversion event occurring before 11 September 2020 been 25% lower than the value assumed, the CPS liability would have decreased by around £20 million.

Conversion of the CPS after the year end

On 3 August 2020, following changes to the Company's Articles of Association and a resolution to allow for earlier conversion, the CPS were converted into 216,840 Ordinary Voting Shares of £1 each and 33,512 Ordinary Non Voting Shares of £1 each. Due to the prior nominal capital from the CPS being £300,000,000, an additional number of "Deferred Shares" representing the balance of nominal share capital of £299,749,648 have also been issued pro-rata to the respective shareholders. The Deferred Shares hold no value and can all be redeemed by the Company for a penny in aggregate and cannot participate in any economic event such as a sale or IPO of the Company.

18. Share capital and share premium

	Number of ordinary shares '000	Number of A ordinary shares '000	Share capital £'000	Share premium £'000	Total £'000
At 31 December 2018 and 2019	124	-	124	4,024	4,148

ASCENSION HEALTHCARE PLC

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

19. Cash flows from operating activities

	Year ended 31 Dec 2019	Year ended 31 Dec 2018 (Restated)
	£'000	£'000
Profit / (Loss) before tax	(35,488)	8,624
Depreciation and amortisation charges (notes 9 and 10)	894	603
Unwinding of loan FV discount	(209)	-
(Gain) / Impairment of intangible assets (note 5)	2,691	(4,099)
Revaluation of convertible preference share (note 17)	23,500	(12,500)
Finance costs (note 6)	2,228	3,411
Movement in provision for deferred consideration (note 15)	-	1,549
Decrease in inventories	153	22
Decrease in receivables	(405)	533
Decrease in payables	1,591	(925)
Cash flows used in operating activities	(5,045)	(2,782)

ASCENSION HEALTHCARE PLC

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

RISK

This section of the notes discusses the group's exposure to various risks and shows how these could affect the group's financial position and performance.

20. Financial risk management

20.1 Financial risk factors

The group'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 group's financial performance.

a) Foreign currency risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The group does not enter into derivative financial instruments to hedge its foreign currency risk. At 31 December 2019, if Sterling had weakened by 5% against the Euro with all other variables held constant, the recalculated post-tax loss for the year would have been £557,000 (2018: £770,000) worse, mainly as a result of cost of goods sold being denominated in Euros. The impact on equity would have been a reduction of £601,000 (2018: £613,000) since the group's Euro are denominated assets less than the liabilities.

At 31 December 2019, if Sterling had weakened by 5% against the US dollar with all other variables held constant, the recalculated post-tax loss for the year would have been £3,000 worse in 2019 (2018: £12,000) because most of the group's finance costs are denominated in US dollars in 2019. The impact on equity would have been a decrease of £649,000 in 2018 (2018: £567,000) because the borrowings and some of the contingent consideration of the group are denominated in US dollars.

b) Credit risk

Credit risk is managed on a group basis, including credit risk relating to accounts receivable balances. The central finance function is responsible for managing and analysing the credit risk for each of the group's new customers before payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to distributors, wholesale customers and retail customers, including outstanding receivables and committed transactions.

For banks and financial institutions, normally the Company seeks to deal only with independently rated parties. Typically the group'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.

No credit limits were exceeded during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

c) Liquidity risk

The group'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.

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****20.2 Capital risk management**

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

At 31 December 2019 the group had external borrowings outstanding totalling £31.7 million. As mentioned in note 2, the group remains dependent on securing external sources of funding.

20.3 Fair value estimation

Financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The group has the following categories of financial assets and liabilities:

	2019	2018 (Restated)
	£'000	£'000
Amortised cost		
Cash and cash equivalents	5,619	3,354
Trade and other receivables (excluding prepayments)	1,293	637
Trade and other payables (excluding accruals, deferred income, tax and social security)	(1,196)	(1,150)
Borrowings	(32,368)	(23,012)
	<u>(26,652)</u>	<u>(20,171)</u>
Fair value through profit and loss		
Contingent consideration receivable	598	833
Convertible preference shares	(66,000)	(42,500)
Contingent consideration payable	(11,469)	(11,874)
	<u>(76,871)</u>	<u>(53,541)</u>

At 31 December 2019 the group had no material holdings of derivative financial instruments, other than the derivative embedded in its convertible preference share which has been valued using level 3 inputs as described in note 17. In addition the group has valued contingent consideration assets and contingent consideration liabilities using level 3 inputs as described in notes 12 and 15.

ASCENSION HEALTHCARE PLC

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

21. 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.

21.1 Critical judgements in applying the entities' accounting policies

The valuation of the convertible preference shares issued by the Company is based on critical estimates.

The carrying value of the intangible assets in these financial statements is based on critical estimates.

The fair value of the contingent consideration received upon the disposal of anti-infective interests and which is contingent upon future events occurring per note 12 is based on critical estimates.

The fair value of the contingent consideration payable upon the purchase of Recoly and which is contingent upon future events occurring per note 15 is based on critical estimates.

The identification of separate CGUs is based on critical judgements. The haematology activity currently has no positive cash inflows. At present, it is not possible to ascertain if any net cash flow it generates in the future will be independent of the Sequessome activities. The development team for the Sequessome products and the haematology products is one and the same. The haematology activity has no separately identifiable management team or reporting structure within the Company at the present time. The haematology activity has been subject to a separate fundraising in 2018 and may be separated out into a discrete vehicle. Accordingly, until then the group is considered to have a single cash generating unit.

21.2 Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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 are addressed below.

The group tests annually whether its intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 30.6. The carrying values of these assets are based on forecasts of discounted future cash flows, which are highly judgemental, for products that are both launched and in development phases. Although, as set out in note 9, the carrying values for the haematology products are significantly less than the independent valuation, they are dependent upon and assume achieving successful trial results for the group's haematology products and its ability to enter new markets for its commercially available products. Given the highly judgemental nature of the assumptions involved in valuing these assets, there is a significant risk that the actual value of the intangible assets could be materially different from the carrying values in these financial statements.

The carrying value of the convertible preference share liability is based on the fair value of the fully diluted equity of the Company which has been derived from both independent valuations and from forecasts of discounted future cash flows. These are highly judgemental, for products that are both launched and in development phases. The value is also dependent upon an assessment of the probability that a sale or IPO of the Company will occur in the period from the date of valuation until the end of 2020. Given the highly judgemental nature of the assumptions involved in valuing this liability, there is a significant risk that the actual value of the convertible preference share liability could be materially different from the carrying value in these financial statements.

ASCENSION HEALTHCARE PLC

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

21.3 Prior Years' Adjustments to re-present the fair value of secured loans' liabilities recorded in 2017 and 2018 and change in basis for determining the valuation of the liability to meet the requirements of IFRS 9 and in accordance with IAS 32 and basis for the 2019 estimate

Ascension issued warrants to investors in certain group companies (see note 28) on loan draw downs in 2017, 2018 and 2019. Though these warrants are separate instruments, the group's view is that they should be accounted for as linked instruments, with the loan draw down equating to the fair value of the loan and the fair value of the warrants, discounted at a rate of 16%, the WACC determined by independent valuers. Further details of these adjustments are provided in note 29.

21.4 Critical judgements on going concern

As stated in Note 1, the Board and management have assessed the going concern basis of preparation of the financial statements and made critical judgements specified in that note.

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****GROUP STRUCTURE**

This section provides information which will help users understand how the group structure affects the financial position and performance of the group as a whole. A list of subsidiaries is provided in note 22.

22. Subsidiaries

The consolidated financial statements include the financial statements of Ascension Healthcare PLC and its subsidiaries.

Investment in subsidiaries	2019 £'000	2018 £'000
At 1 January	10,019	10,019
Impairment of investments	-	-
At 31 December	<u>10,019</u>	<u>10,019</u>

As at 31 December 2019 the Company had the following subsidiaries:

Consolidated subsidiaries	Country of Incorporation	Nature of business	Proportion of ordinary shares directly held by the parent	Proportion of ordinary shares held by the group	Proportion of ordinary shares held by non- controlling interests	Proportion of preference shares held by the group
PBB (Malta) Limited	Malta	Investment holding company	100%	100%		0%
PBB Holdings LLC	Russia	Investment holding company		100%		
Pro Bono Bio LLC	Russia	Healthcare products supplier		100%		
Ascension LLC	Russia	Healthcare products developer		100%		
Pro Bono Bio Group PLC	United Kingdom	Investment holding company		100%		
Pro Bono Bio Entrepreneur Limited	United Kingdom	Healthcare products supplier		100%		
Pro Bono Bio International Trading Limited	Malta	Healthcare products supplier		100%		
Leverton Licence Holdings Limited	Malta	Intellectual property supplier	100%	100%		
Sequessome Technology Holdings Limited	Malta	Intellectual property supplier		100%		
Cantab Biopharmaceuticals Patents Limited	Malta	Intellectual property supplier		100%		
Cantab Biopharmaceutical Limited	United Kingdom	Healthcare products developer		100%		
Recoly NV	Dutch Antilles	Intellectual property supplier		100%		
Opperbas Holding BV	Netherlands	Intellectual property supplier		100%		
Omri Labs Limited	Israel	Intellectual property supplier		100%		
Zilip Pharma BV	Netherlands	Intellectual property supplier		100%		
PBB Devices Limited	United Kingdom	Healthcare products developer		91%	9%	
PBB Distributions Limited	Malta	Intellectual property supplier		100%		
Novacta Holdings PLC	Malta	Investment holding company		54%	46%	
Ascension Healthcare Development Limited	United Kingdom	Healthcare products developer		100%		

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of issued ordinary shares held, except for Novacta Holdings PLC where, because of its holdings of non-voting ordinary shares the group has 59% of the voting rights compared with its holdings of ordinary shares which amount to 54% of the total issued ordinary shares.

There are no subsidiaries with non-controlling interests that have operations that are material to the group. PBB (Malta) Limited ("PBBM") has, however, issued shares which participate in some of the operations of the group as described below.

On 11 September 2014 PBBM issued 100,000 Class A redeemable preference shares, 100,000 Class B redeemable preference shares and 100,000 Class C redeemable preference shares to Celtic Pharma Holdings II LP. All of the shares had a nominal value of €0.01 each and were issued in exchange for certain subsidiaries acquired by PBBM.

The Articles of PBBM set out the terms of the following three classes of shares: Class A redeemable preference shares ("Anti-Infective Shares"), Class B redeemable preference shares ("Haem Shares"), and Class C redeemable preference shares ("Diagnostics Shares").

Holders of the Anti-Infective, Haem and Diagnostics Shares are not entitled to attend, speak or vote at general meetings of the PBBM.

The Anti-Infective and Haem Shares do not participate in the profits of PBBM. The Diagnostics Shares receive a preferential dividend equal to 10% of the net sales of PBB Devices Limited each quarter, provided sales are positive for the quarter. At present PBB Devices Limited generates no such sales.

Upon a return or reduction of capital there will be a first pro rata distribution as follows: (1) 75% of the Proceeds of the Anti-Infective Interests to the Anti-Infective Shares; (2) to the Haem Shares at PBBM's election: either, 75% of the Proceeds of the Haem Interests; or US\$66 million in each of the first three financial years where Cantab Biopharmaceuticals Patents Limited earns a gross margin in excess of US\$100 million from Haem Interests, subject to adjustment for any minority interests in CBP; (3) to the Diagnostics Shares, at PBBM's election: either, 75% of the Proceeds of the Diagnostics Interests; or US\$20 million, plus interest at 10% per annum from the date of issue of the Diagnostics Shares. The Proceeds referred to above shall be determined based on the gross proceeds of sale which will be reduced by the aggregate of the expenses of sale and the costs invested by the Ascension Group to enable the development and sale of the relevant assets to give the net proceeds for pro rata distribution.

Each of provisions (1), (2) and (3) above will apply in the event of a sale or disposal of respectively the Anti-Infective, Haem or Diagnostics Interests in which case the relevant class of Shares will be redeemed.

Since the Class A, B and C redeemable preference shares only result in the Company making cash distributions to holders of these securities following a sale or disposal, and the Company cannot be compelled to effect such a sale or disposal, IAS 32 requires that these securities are recorded as equity instruments in the books of the issuer, PBBM. In the consolidated financial statements of the Company these instruments, which are held by third parties, are therefore recorded as non-controlling interests.

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Summarised financial information for PBB (Malta) Limited is set out below.

Summarised balance sheet

	PBB (Malta) Limited	
	2019	2018
	£'000	£'000
Current assets	51,424	51,417
Current liabilities	(7)	(30)
Total current net assets (liabilities)	<u>51,417</u>	<u>51,387</u>
Non-current assets	13,088	13,551
Non-current liabilities	(9,973)	(10,326)
Total non-current net assets (liabilities)	<u>3,115</u>	<u>3,225</u>
Net assets (liabilities)	<u>54,532</u>	<u>54,612</u>

Summarised income statement

	PBB (Malta) Limited	
	Year ended	Year ended
	31 Dec 2019	31 Dec 2018
	£'000	£'000
Revenue	-	-
Loss before taxation	3,846	(710)
Taxation	-	-
Loss after taxation	<u>3,846</u>	<u>(710)</u>
Other comprehensive income	-	-
Total comprehensive income	<u>3,846</u>	<u>(710)</u>

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

26. Related party transactions**Related party transactions – group disclosure**

In addition to the related party transactions disclosed in notes 5, 14 and 22, the following transactions were carried out with parties related to Ascension Healthcare PLC and its subsidiaries.

(a) Loans to related parties

As at 31 December 2019 there were no loans to related parties which had not been fully impaired.

(b) Key management compensation

The key managers comprise the directors of the company. Directors' remuneration is set out in note 7.

Related party transactions – parent company disclosures

The following transactions were carried out with related parties to Ascension Healthcare PLC and its subsidiaries.

(c) Year end balances arising from sales/purchase of good/services

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Receivables from related parties		
Pro Bono Bio Entrepreneur Limited	9,200	7,605
Pro Bono Bio International Limited	4,536	3,883
Leverton Licence Holdings Limited	2,297	2,365
Cantab Biopharmaceuticals Patents Limited	37	37
PBB Group PLC	5	5
Ascension Healthcare Development Limited	2,087	-
PBB Devices Limited	134	-
Sequessome Technology Holdings Limited	350	270
	<u>18,646</u>	<u>14,165</u>
Payables to related parties		
PBB (Malta) Limited	67,378	67,430
Pro Bono Bio International Limited	1,018	1,051
	<u>68,396</u>	<u>68,481</u>

Save as disclosed below, the receivables from related parties arise mainly from intra group financing transactions and are due on demand. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2018: £ nil).

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This section of the notes provides information about items that are not recognised in the financial statements as they do not yet satisfy the recognition criteria.

23. Contingent liabilities

Save as disclosed elsewhere in the financial statements, the group has no material contingent liabilities.

24. Guarantees

As part of the borrowing arrangements disclosed in note 14, certain group companies have provided cross-guarantees on the loan obligations and security on their assets.

25. Commitments**a) Capital commitments**

At 31 December 2019 the group had no outstanding capital commitments.

b) Lease commitments

On 15 March 2019 the Company entered into a 26 month rent agreement for service offices. The substance of the agreement is that the landlord retains substantial substitution rights over the premises at any time should their operational requirements determine it. In January 2020 the landlord exercised this right and on 17 January 2020, the Company entered into a 15 month lease agreement to 31 March 2021 for new serviced office premises under the same landlord. As the lease allows for the right of substitution by the lessor, it does not meet the definition of a lease under IFRS 16. Payments made under such terms are expensed on a straight-line basis. The group also entered into leases for photocopier equipment and these are immaterial in value within this statement.

Rental and operating lease payments were £270,000 for the year ended 31 December 2019 (2018: £175,000).

At the balance sheet date the group had outstanding commitments which fall due as follows:

	2019 £'000	2018 £'000
Within one year	295	272
In the second to fifth years inclusive	94	285
	<u>389</u>	<u>557</u>

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Save as disclosed below, the payables to related parties arise mainly from purchase transactions and are due on demand. The payables bear no interest.

The amounts due to PBB (Malta) Limited and due from Leverton Licence Holdings Limited arose for the most part in 2014 as a result of a business combination.

27. Share based payments**Options over ordinary shares**

In July 2014 the Company adopted a share option plan for employees. Under the plan, the Company is able to grant non-transferable equity settled options to employees, in respect of ordinary shares, with performance based and time based vesting periods and a life of 10 years.

The share awards outstanding can be summarised as follows:

	2019	2019	2018	2018
	Options over number of ordinary shares	Weighted average exercise price	Options over number of ordinary shares	Weighted average exercise price
Issued at 1 January	777	n/a	785	n/a
Granted/Net movement	0	£1.00	0	£1.00
Exercised	0	n/a	0	n/a
Lapsed	0	£1.00	8	£1.00
Issued at 31 December	0	£1.00	0	£1.00
Exercisable at 31 December	777	£1.00	777	£1.00

During the year ended 31 December 2019, nil options over ordinary shares were granted (2018: nil) with a weighted average exercise price of £1 per share.

At 31 December 2019 options over 777 ordinary shares are vested (2018: 777). At 31 December 2019, the weighted average remaining term of exercisable options was 6 years.

The weighted average fair value of an option, as estimated for 2019, was £104.32 per share (2018: £104.32 per share). This was calculated using a version of the Black Scholes valuation model using the following weighted average assumptions:

	2019	2018
Estimated share price at year end	£129.46	£169.16
Exercise price	£1.00	£1.00
Expected volatility	19%	19%
Expected life	10 years	10 years
Expected dividends	0.00%	0.00%
Risk-free interest rate	0.83%	1.27%
Forfeiture rate	25%	25%

Expected volatility was determined by considering the historical volatility of the FTSE all share over the past five years multiplied by a factor of 2. The share price for 2019 and 2018 is based on the price at which shares were issued by the Company in an open offer in September 2016 weighted for changes in the valuation of the intangibles.

ASCENSION HEALTHCARE PLC

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The aggregate fair value of all of the options as adjusted for the fair value of the 2019 underlying intangible assets amounted to approximately £33,000. All of these would have been allocated to the income statement in 2019 based on the expected vesting of these options at the time of grant. No charge has been made in 2019 to the income statement in respect of these options on the grounds of materiality.

28. Warrants attaching to the 21 December 2017, 13 December 2018 and 4 October 2019 Supplemental Loan Agreements

Ascension Healthcare Plc warrants for 2017 and 2019 fundraising

In December 2017, Ascension Healthcare PLC executed a supplemental loan agreement with its largest shareholder, for £2.75m. As part of that agreement, warrants to subscribe for 76,172 £1 ordinary shares were issued.

The warrants are able to be immediately exercised at an exercise price of £1 upon an exit event that would precipitate the conversion of the 300,000,000 Convertible Preference Shares issued by Ascension Healthcare PLC.

Of the above, 27,800 warrants became subject to an amended and restated instrument of 4 October 2019 in which the 2017 instrument was restated with a single substantive amendment relating to a new right to exercise earlier than had previously been provided for (the 2019 amended and restated 2017 instrument).

The remaining 48,372 warrants became subject to, instead of the 2019 amended and restated 2017 instrument, the new warrant instrument of 4 October 2019 (the 2019 new warrant instrument) containing similar terms to the 2019 amended and restated 2017 instrument but, additionally, including a right of the holder to exercise options over EITHER non-voting ordinary shares OR ordinary shares (which carry the right to vote).

On 4 October 2019, the Company drew £7.35m under the terms of its loan from Rusnano. Simultaneously with that arrangement, in October 2019, 176,200 warrants were issued to investors that are subject to the 2019 new warrant instrument.

PBB (Malta) Ltd warrants for 2018 and 2019 fundraising

On 13 December 2018 and 4 October 2019, the Company drew down £2.876m and £7.35m respectively under the terms of its loan from Rusnano.

Simultaneously with that arrangement, in December 2018 800,000 warrants, and in October 2019 2,013,709 warrants over B Shares of the Company's subsidiary, PBB (Malta) Ltd, were authorised by the Company and PBB (Malta) Ltd to be granted to participants in such loan.

In addition, 350,000 warrants were authorised to be issued to management and as yet unallocated to any member.

The warrants have a subscription price of €0.01 each and are exercisable on a Sale or a Disposal of the Haemophilia Interests (each as defined in the Articles of PBB (Malta) Ltd).

Valuation of the warrants

All the above warrants in Ascension Healthcare Plc and PBB (Malta) Ltd issued to investors are separate instruments from the loan. However, the group's view is that they should be accounted for as linked instruments as there were issued or there was a commitment to issue them when the loans were drawn down. As such, the loan draw down equates to the fair value of the loan and the fair value of the warrants, discounted at a rate of 16%, the WACC determined by independent valuers (see notes 14 and 29).

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The warrants for management are identical in nature to the company's share options, though they have not been fair valued as and no profit and loss charge has been accounted for in the 2019 or 2018 accounts as the warrants are yet to be issued.

Exercise of Ascension Healthcare Plc warrants after the year end

In July 2020, 251,720 of the 252,372 warrants mentioned above in Ascension Healthcare Plc were exercised in to 224,158 Ordinary Voting Shares of £1 each and 27,562 Ordinary Non Voting Shares of £1 each. The remaining 652 warrants lapsed.

29. Prior Years' Adjustments

Ascension issued warrants to investors in certain group companies (see note 28) on loan draw downs in 2017, 2018 and 2019. Though these warrants are separate instruments, the group's view is that they should be accounted for as linked instruments, with the loan draw down equating to the fair value of the loan and the fair value of the warrants, discounted at a rate of 16%, the WACC determined by independent valuers.

The group has therefore restated the 2018 opening loan balance for the FV of the 2017 warrants. The loan amounts have been reduced by £286k and the Equity Reserve increased by £286k.

The group has fair valued the 2018 drawn down and the warrants resulting in a reduction of the loan amount of £175k and an increase in the Equity Reserve of £175k.

In addition, there has been a charge of £112k for the year ended 31 December 2018 relating to the unwinding of the FV discount.

The group has reversed the 2018 £1,986k shared based payment charge on the 2017 warrants due to the change in the accounting treatment of the warrants, as described above.

The Directors consider that the financial statements of the Group and Company should be restated to reflect the adjustments described in this note to the assets, liabilities and income previously recorded.

ASCENSION HEALTHCARE PLC

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The affected financial statement lines items for the prior periods have been represented as follows:

Consolidated						
Revaluation of loans and linked warrants						
Balance sheet (extract)	2018	Increase/ (decrease)	2018 (restated)	2017	Increase/ (decrease)	2017 (restated)
	£'000		£'000	£'000		£'000
Borrowings	23,367	(355)	23,012	18,485	(285)	18,200
Total non-current liabilities	23,367	(355)	23,012	18,485	(285)	18,200
Total liabilities	23,367	(355)	23,012	18,485	(285)	18,200
Accumulated (losses)	(41,093)	1,880	(39,213)	(47,085)	1	(47,084)
Other reserves	1,986	(1,525)	461	-	(286)	(286)
Equity attributable to owners of the parent	(34,885)	355	(34,530)	(42,862)	(285)	(43,147)
Total Equity	46,486	355	46,841	38,527	(285)	38,242
Income statement and statement of comprehensive income (extract)						
Finance costs	(6,840)	1,880	(4,960)	(75)	1	(74)
Profit before tax	6,744	1,880	8,624	(61,276)	1	(61,275)
Profit for the financial year						
Profit attributable to:						
Owners of the parent	5,992	1,880	7,872	(50,790)	1	(50,789)
Profit for the financial year	5,974	1,880	7,854	(50,817)	1	(50,816)
Total comprehensive income for the year						
Total comprehensive income attributable to:						
Owners of the parent	5,991	1,880	7,871	(51,570)	1	(51,569)
Total comprehensive income for the year	5,973	1,880	7,853	(51,597)	1	(51,596)
Parent company						
Revaluation of loans and linked warrants						
Balance sheet (extract)	2018	Increase/ (decrease)	2018 (restated)	2017	Increase/ (decrease)	2017 (restated)
	£'000		£'000	£'000		£'000
Borrowings	23,367	(355)	23,012	18,270	(285)	17,985
Total non-current liabilities	23,367	(355)	23,012	18,270	(285)	17,985
Total liabilities	23,367	(355)	23,012	18,270	(285)	17,985
Accumulated (losses)	(113,889)	1,880	(112,009)	(122,321)	1	(122,320)
Other reserves	1,986	(1,525)	461	-	(286)	(286)
Total Equity	(107,755)	355	(107,400)	(118,173)	(285)	(118,458)
Income statement and statement of comprehensive income (extract)						
Finance costs	(4,576)	1,880	(2,696)	(1,880)	1	(1,879)
Profit before tax	8,432	1,880	10,312	(42,022)	1	(42,021)
Profit for the financial year						
Total comprehensive income for the year	8,432	1,880	10,312	(42,022)	1	(42,021)

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30. Events after the reporting period**Funding**

Ascension raised £9.3m under an unsecured Convertible Loan Agreement dated 18 August 2020 with the British Business Bank's Future Fund and internal investors. The loan attracts 8% interest, matures in 36 months on 18 August 2023 and converts to Ordinary Shares at a 20% discount on maturity and certain financing and exit events.

A Supplemental Agreement dated 11 August 2020 between the Company and Rusnano agreed to extend the secured Loan maturity date to 30 November 2023 and waive the revenue and EBITDA covenants. In addition, changes were made to allow for the unsecured Convertible Loan Agreement with the British Business Bank's Future Fund.

Warrants exercise

In July 2020, 251,720 of the 252,372 warrants mentioned above in Ascension Healthcare Plc were exercised in to 224,158 Ordinary Voting Shares of £1 each and 27,562 Ordinary Non Voting Shares of £1 each. The remaining 652 warrants lapsed.

Conversion of Convertible Preference Shares

On 3 August 2020, following changes to the Company's Articles of Association and a resolution to allow for earlier conversion, the CPS were converted into 216,840 Ordinary Voting Shares of £1 each and 33,512 Ordinary Non Voting Shares of £1 each. Due to the prior nominal capital from the CPS being £300,000,000, an additional number of "Deferred Shares" representing the balance of nominal share capital of £299,749,648 have also been issued pro-rata to the respective shareholders. The Deferred Shares hold no value and can all be redeemed by the Company for a penny in aggregate and cannot participate in any economic event such as a sale or IPO of the Company.

CE Mark

As stated in the Strategic Review section, the CE certificate was renewed in May 2020 for both Flexiseq and Flexiseq Active as medical device. This and the impact of COVID-19 to operations through 2020 has been limited with little interruption to the business and demand through the pandemic for Flexiseq has been robust.

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 Group at this time.

ASCENSION HEALTHCARE PLC

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

31. Summary of significant accounting policies

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

31.1 Basis of preparation of the financial statements

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as adopted by the European Union and also the provisions of the UK Companies Act 2006. As applied to Ascension Healthcare PLC, there are no material differences from IFRS as issued by the International Accounting Standards Board ('IASB'); therefore the consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

The comparative figures relate to the year ending on 31 December 2019. Ascension Healthcare PLC was incorporated on 25 September 2013 to act as a holding company and during 2014 acquired a number of businesses which give rise to the group in its current form.

The Company has prepared group accounts in accordance with the Companies Act 2006 and accordingly is not required to publish the company's individual profit and loss account pursuant to the exemption provided by section 408 of the Companies Act 2006.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in note 22.

The group has adopted the new accounting pronouncements which have become effective this year, and are as follows:

IFRS 16 'Leases' (effective 1 January 2019). This standard replaces IAS 17 'Leases' along with three interpretations (IFRIC4 'Determining whether an Arrangement contains a lease', SIC 15 'Operating Lease-Incentives' and SIC 27 'Evaluating the Substance of Transactions involving the Legal Form of a Lease'.

The group adopted the modified retrospective approach with the right of use asset equal to the lease liability at transition date. Under the modified retrospective transition approach the comparative information is not restated. On transition, for leases previously accounted for as operating leases with a remaining term of less than 12 months and for leases of low-value assets the group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease on a straight line basis over the remaining lease term.

The adoption of IFRS 16 on 1 January 2019 had nil impact on the net assets of the group due IFRS 16 not being applicable to the lease on the serviced office, and the equipment leases being of low value.

The group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IFRS 3: Business Combinations (issued on 22 October 2018 and effective for periods on or after 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018 and effective for periods on or after 1 January 2020)

Neither of the above standards are effective and therefore have not been applied in the financial statements. It is anticipated that there will be minimal impact on the financial statements from the adoption of these new and revised standards.

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The consolidated financial statements comprise the financial statements of Ascension Healthcare PLC (the parent company) and its subsidiary investments.

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Implementation of IFRS 9 has had no material impact on the group's financial statements as the group accounted for contingent consideration on an identical basis under IAS39.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by the group.

31.3 Foreign currency translation**(a) Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Sterling which is the company's functional and the group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or dates of valuation where items are re-measured. 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, with the exception of differences on certain intra-group balances mentioned below, are recognised in finance costs in the income statement. Exchange differences arising on foreign currency intra-group balances for which settlement is neither planned nor likely to occur and which form part of the net investment in a foreign operation are taken directly to equity ("currency translation reserve") until the disposal of the net investment, at which time they are recognised in the income statement.

ASCENSION HEALTHCARE PLC

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(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

31.4 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
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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.

31.5 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Intellectual Property, Trademarks and Licences

Separately acquired intellectual property, trademarks and licences are shown at historical cost.

Intellectual property, trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date.

Intellectual property, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 20 years.

31.6 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units or CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

31.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("FIFO") method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

31.8 Trade and Other receivables

Trade receivables are amounts due from customers for merchandise sold 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.

An estimate for doubtful debts is provided when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

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

31.9 Cash and cash equivalents

In the statements of cash flows, 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 consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

ASCENSION HEALTHCARE PLC

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

31.10 Share capital

Ordinary shares are classified as equity. 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.

31.11 Convertible preference shares

The convertible preference shares, which are convertible into a variable number of shares, are classified as a financial liability per IAS 32. The liability is initially recorded at fair value with changes in value being recorded in the income statement per IFRS 9.

The articles of association for the convertible preference shares are considered to include an embedded derivative, being a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way that is similar to a stand-alone derivative. Since the hybrid contract contains a host that is not an asset, the embedded derivative has been separated from the host and accounted for as a derivative. Embedded derivatives which are capable of being separated from a host contract are measured at fair value through the profit and loss account per IFRS 9.

Implementation of IFRS 9 has had no material impact on the group's financial statements as the group accounted for embedded derivatives on an identical basis under IAS39.

The convertible preference share is a hybrid instrument comprising a non-derivative host contract whose value is re-measured on the basis of amortised cost and an embedded derivative whose value is re-measured at fair value to the profit and loss account.

31.12 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.

31.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

31.14 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.

ASCENSION HEALTHCARE PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 consolidated 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 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.

31.15 Employee benefits**(a) Profit sharing and bonus plans**

The group recognises a liability and an expense for bonuses. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

31.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes and after eliminating sales within the group. The group recognises revenue once the IFRS15 criteria for revenue recognition have been met - there is an identifiable contract, the performance obligations have been identified, the price has been determined and allocated to the performance obligations and when performance obligations have been satisfied - i.e. when control of the goods transfers to the customer.

The group develops and sells a range of healthcare products to retailers, wholesalers and distributors. Sales of goods are recognised when a group entity has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue is adjusted for the value of expected returns. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with predetermined promotional prices or volume discounts. Some customers have a right to return out of date products. Sales are recorded based on the price specified in the sales contracts, net of the stipulated promotional price or volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns.

No element of financing is deemed present as the sales are usually made with credit terms of up to 60 days, which is consistent with market practice.

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

ASCENSION HEALTHCARE PLC

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

31.17 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.

31.18 Leases

The Group has adopted IFRS 16 'Leases' from 1 January 2019. This replaces IAS 17 'Leases' along with three Interpretations (IFIC 4, SIC 15 and SIC 27). As permitted under the specific transition provisions in the standard the group has not restated comparatives for the 2018 reporting period.

On transition the Group has elected not to recognise right-of use assets and lease liabilities for short-term leases of property that have a lease term of 12 months or less, leases of low-value assets including IT equipment and leases where the lessor retains 'substantial substitution rights' over the leased premises. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

ASCENSION HEALTHCARE PLC
NON-STATUTORY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ASCENSION HEALTHCARE PLC

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ASCENSION HEALTHCARE PLC

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

	Note	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 (Restated) £'000
Other income	2	1,461	-
General and administrative costs	3	(608)	(311)
Operating profit		853	(311)
Finance income	4	376	-
Finance costs	4	(2,702)	(2,696)
Fair value adjustment of convertible preference shares	5	(23,500)	12,500
Intercompany receivables adjustment per IFRS 9	5	(941)	819
(Loss)/profit before income tax		(25,914)	10,312
Taxation	7	-	-
(Loss)/profit for the financial year		(25,914)	10,312
		Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 (Restated) £'000
(Loss)/profit for the financial year		(25,914)	10,312
Total comprehensive (loss)/income for the year		(25,914)	10,312

The notes on pages 66 to 70 are an integral part of these non-statutory financial statements.

ASCENSION HEALTHCARE PLC

NOTES TO THE NON-STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

Ascension Healthcare PLC ("Ascension Healthcare" or the "company") and its subsidiaries (together the "group") principally engage in the business of developing and selling healthcare products. The company's activities are primarily administrative in nature. The Company is a limited liability company incorporated on 25 September 2013 and is domiciled in the United Kingdom.

1. Going concern

During 2019, Ascension drew down £7.4m under the existing secured Loan agreement. In August 2020, the group 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 an operating profit of £853k and an operating cash inflow of £0.5m for the year to 31 December 2019 and the group is reliant on the funding from the secured Loan, which matures on 30 November 2023, and the unsecured CLA, which matures on 18 August 2023.

The directors and management believe that the company, with support from 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. Accordingly, the group and the Company financial statements do not include the adjustments that would be required if the group and the Company were unable to continue as a going concern.

2. Other income

Other income comprises management fees charged to subsidiary companies.

3. General and administrative costs

General and administrative costs include an amount accrued of £50k (2018 - £45k) for auditor's remuneration for the 2019 audit of the company.

4. Finance income and costs

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 (Restated) £'000
Foreign currency income	376	-
Finance income	376	-
Interest expense	(2,705)	(1,846)
Foreign currency expense	-	(654)
Other finance/bank charges	3	(196)
Finance costs	(2,702)	(2,696)
Net finance (costs)	(2,326)	(2,696)

ASCENSION HEALTHCARE PLC

NOTES TO THE NON-STATUTORY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

5. Exceptional items

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	£'000	£'000
Revaluation of convertible preference shares	(23,500)	12,500
Revaluation of intercompany receivables per IFRS 9	(941)	819
	<u>(24,441)</u>	<u>13,319</u>

6. Directors Remuneration

No directors were remunerated through the Company in 2019 (2018: nil).

7. Income tax expense

In 2019 the Company recorded no income tax expense (2018: nil), reflecting that it had not made an operational profit.

The Company has estimated tax losses of £5,258,000 (2018 - £5,578,000) available for carry forward against future trading profits.

8. 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.

8.1 Critical judgements in applying the entities' accounting policies

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

The valuation of the convertible preference shares issued by the Company is based on critical estimates.

8.2 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. The 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 are addressed below.

8.3 Re-presentation of the fair value of liabilities recorded in 2017 and 2018 and change in basis for determining the valuation of the liability to meet the requirements of IFRS 9 and in accordance with IAS 32

Ascension issued warrants to investors in certain group companies (see note 29) on loan draw downs in 2017, 2018 and 2019. Though these warrants are separate instruments, the Group's view is that they should be accounted for as linked instruments, with the loan draw down equating to the fair value of the loan and the fair value of the warrants, discounted at a rate of 16%, the WACC determined by independent valuers.

The Group has therefore restated the 2018 opening loan balance for the FV of the 2017 warrants. The loan amounts have been reduced by £286k and the Equity Reserve increased by £286k.

ASCENSION HEALTHCARE PLC

NOTES TO THE NON-STATUTORY FINANCIAL STATEMENTS
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The Group has fair valued the 2018 drawn down and the warrants resulting in a reduction of the loan amount of £175k and an increase in the Equity Reserve of £175k. In addition, there has been a charge of £112k relating to the unwinding of the FV discount.

The Group has reversed the 2018 £1,986k shared based payment charge on the 2017 warrants due to the change in the accounting treatment of the warrants, as described above.

The directors consider that the financial statements of the group and company should be restated to reflect the adjustments described in this note to the assets, liabilities and income previously recorded.

The affected financial statement lines items for the prior periods have been represented as follows:

Balance sheet (extract)	Parent company Revaluation of loans and linked warrants					
	2018 £'000	Increase/ (decrease)	2018 (restated) £'000	2017 £'000	Increase/ (decrease)	2017 (restated) £'000
Borrowings	23,367	(355)	23,012	18,270	(285)	17,985
Total non-current liabilities	23,367	(355)	23,012	18,270	(285)	17,985
Total liabilities	23,367	(355)	23,012	18,270	(285)	17,985
Accumulated (losses)	(113,889)	1,880	(112,009)	(122,321)	1	(122,320)
Other reserves	1,986	(1,525)	461	-	(286)	(286)
Total Equity	(107,755)	355	(107,400)	(118,173)	(285)	(118,458)
Income statement and statement of comprehensive income (extract)						
Finance costs	(4,576)	1,880	(2,696)	(1,880)	1	(1,879)
Profit before tax	8,432	1,880	10,312	(42,022)	1	(42,021)
Profit for the financial year						
Total comprehensive income for the year	8,432	1,880	10,312	(42,022)	1	(42,021)

UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not yet satisfy the recognition criteria.

9. Events after the reporting period

Funding

Ascension raised £9.3m under an unsecured Convertible Loan Agreement dated 18 August 2020 with the British Business Bank's Future Fund and internal investors. The loan attracts 8% interest, matures in 36 months on 18 August 2023 and converts to Ordinary Shares at a 20% discount on maturity and certain financing and exit events.

A Supplemental Agreement dated 11 August 2020 between the Company and Rusnano agreed to extend the secured Loan maturity date to 30 November 2023 and waive the revenue and EBITDA covenants. In addition, changes were made to allow for the unsecured Convertible Loan Agreement with the British Business Bank's Future Fund.

Warrants exercise

In July 2020, 251,720 of the 252,372 warrants mentioned above in Ascension Healthcare Plc were exercised in to 224,158 Ordinary Voting Shares of £1 each and 27,562 Ordinary Non Voting Shares of £1 each. The remaining 652 warrants lapsed.

ASCENSION HEALTHCARE PLC**NOTES TO THE NON-STATUTORY FINANCIAL STATEMENTS
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Conversion of Convertible Preference Shares

On 3 August 2020, following changes to the Company's Articles of Association and a resolution to allow for earlier conversion, the CPS were converted into 216,840 Ordinary Voting Shares of £1 each and 33,512 Ordinary Non Voting Shares of £1 each. Due to the prior nominal capital from the CPS being £300,000,000, an additional number of "Deferred Shares" representing the balance of nominal share capital of £299,749,648 have also been issued pro-rata to the respective shareholders. The Deferred Shares hold no value and can all be redeemed by the Company for a penny in aggregate and cannot participate in any economic event such as a sale or IPO of the Company.

OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

10. 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.

10.1 Basis of preparation of the financial statements

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as adopted by the European Union and also the provisions of the UK Companies Act 2006.

The comparatives relate to the year ending on 31 December 2017. Ascension Healthcare PLC was incorporated on 25 September 2013 to act as a holding company and during 2014 acquired a number of businesses which give rise to the Company in its current form.

The preparation of financial statements in conformity with IFRS 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 consolidated financial statements include the determination of the fair value of certain assets and liabilities, the determination of the useful economic lives and residual values of fixed assets and the impairment review of non-current assets.

10.2 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.

ASCENSION HEALTHCARE PLC

NOTES TO THE NON-STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10.3 Convertible preference shares

The convertible preference shares, which are convertible into a variable number of shares, are classified as a financial liability per IAS 32. The liability is initially recorded at fair value with changes in value being recorded in the income statement per IFRS 9.

The articles of association for the convertible preference shares are considered to include an embedded derivative, being a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way that is similar to a stand-alone derivative. Since the hybrid contract contains a host that is not an asset, the embedded derivative has been separated from the host and accounted for as a derivative. Embedded derivatives which are capable of being separated from a host contract are measured at fair value through the profit and loss account per IFRS 9.

The convertible preference share is a hybrid instrument comprising a non-derivative host contract whose value is re-measured on the basis of amortised cost and an embedded derivative whose value is re-measured at fair value to the profit and loss account.

10.4 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.