ASCENSION HEALTHCARE PLC

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

Directors

Jon Aisbitt
Ali Baruni
Oleg Kiselev
David Quint
Irina Rapoport
Biresh Roy
Dmitry Volokhov
Richard Wolf-Garraway

Company secretary

Throgmorton Secretaries LLP

Registered Office and Number

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Berkshire RG1 8LS

Company Registration Number: 08705972

Independent Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

ASCENSION HEALTHCARE PLC

CONTENTS

Ascension Healthcare PLC ("Ascension", "Company") is an international biopharmaceuticals group therapeutically focused on 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.

Ascension's OTC osteoarthritis products are sold with direct marketing support under the 'Flexiseq' brand to the independent retail chemist sector in the UK, Ireland and Germany as well as through prominent high street outlets in the UK (Boots, Superdrug, Tesco and Lloyd's Pharmacy/Sainsbury's) and Germany (DM, Rossmann and Müller). Elsewhere in the EU and in other international territories our products are marketed via our established distributor network.

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 technology to enhance the in-vivo properties of factor VIII is being developed at a time when similar advances involve extensive modification to factor VIII or the development of mimetics at very high cost. We believe our low cost, low tech approach provides 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 areas.

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

KEY ACHIEVEMENTS

2018 intensified as a year of transition and consolidation for Ascension Healthcare PLC and its group of companies in order to position for growth in 2019 to 2021

- Several changes in the management team were implemented, including the appointment of Mr Biresh Roy as Chief Executive Officer by the Board in March 2018, and the appointment of Dr Gavin Ling as Chief Medical Officer in December 2018. Further changes were made to the company's leadership team to prepare it for the next stage of development and growth. A new Medical & Scientific Advisory Board was established to guide the company's clinical and preclinical programmes with the appointments of Professor Edward Tuddenham, Dr Ulrich Thibault, Dr Bill Henry and Dr Leysan Shaydullina.

- Additional funding of £2.9m was secured from existing investors in December 2018 together with a commitment for further funding during Q2 2019, under the terms of a secured loan provided by Fonds Rusnano Capital AG.

- With that funding in place, and the approval of a new business plan, the Company contracted with FNP Clinical, a Russian Contract Research Organisation and progressed its clinical and two preclinical Haemophilia A development projects

- Revenues from the Company's osteoarthritis product, Flexiseq grew overall by 18%, whilst maintaining product gross margins in line with 2017. This was achieved by intensifying engagement with existing customers, expansion via distributors into new territories and re-positioning of the Flexiseq brand away from a medical claims based messaging toward experiential marketing and increased mobility.

- Creation of the Ascension Healthcare PLC brand and a new website.

KEY PERFORMANCE INDICATORS

	2018	2017
Number of countries where products are sold	24	19
Total product revenues (£'000)	5,250	4,443
Product gross margin (before royalties, logistics costs and legacy stock obsolescence provisions)	77%	77%
Product contribution (gross profit less attributable advertising and promotion costs) (£'000)	2,186	2,648
Product contribution margin	42%	60%
Other income from grants and third parties to fund anti-infective developments (£'000)	2	1,118
Research and development (£'000)	886	1,780
EBITDA (£'000)	(2,411)	(1,837)

REVISED FUNDING STRUCTURE IMPLEMENTED IN 2017 AND 2018

As explained in the 2017 Annual Report and Accounts, on 27 March 2017 the company entered an assignment and amendment agreement with Knight Therapeutics and Fonds Rusnano Capital SA ("Rusnano") whereby the loan advanced by Knight pursuant to the loan agreement dated 25 June 2015 (the "Loan Agreement") was assigned to Rusnano, which is a party related to the company.

On 11 May 2017 the company entered into a supplemental agreement with Rusnano under which Rusnano and certain shareholders 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 on amended terms to the original (Knight) loan. These loans were drawn in full by 2 June 2017. Full details of these and subsequent loans are contained in Note 15. 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 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. The loan attracts an interest rate of 10% per annum and is repayable in full on 23 March 2020 and is to be 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 13 December 2018 the company drew down a further £2.9m on the same terms as above for the purposes of progressing the Company's proof of concept Haemophilia A clinical and pre-clinical programmes.

FLEXISEQ SALES PERFORMANCE

Flexiseq direct sales continued to grow during 2018 in certain European countries, principally the United Kingdom, Germany, Austria and the Republic of Ireland, with a re-focus toward experiential marketing engaging prominent brand ambassadors in UK and Ireland coupled with a consistent consumer-awareness promotional campaign in all countries receiving direct marketing support throughout 2018. In the UK and Republic of Ireland, Flexiseq enjoyed a 38% revenue growth over 2017, amounting to 7% market share in the topical analgesics category compared to growth in that category of 3%. 'Above the line' marketing spend was contained at 18% of revenue.

Notable UK Key Accounts successes include a 100% growth in unit sales to Superdrug, 23% in Boots, 83% in Tesco and also a 60% growth in unit sales to wholesalers. This was brought about by:

- regular newspaper campaigns in the Daily Mail, Daily Telegraph and the London Metro
- successful in-store price promotions in the Key Accounts
- Effective use of brand ambassadors in the UK (Len Goodman) and Republic of Ireland (Mary Byrne)
- Deployment of social media such as Google Adwords directing web traffic to the Flexiseq website and Flexiseq Facebook (6,000 users)

Outside these directly supported territories, the Company continues to work through distribution partners who invest in the marketing of the product themselves, and the Company benefits through selling to them at agreed transfer prices. During 2018, the Czech Republic, Slovakia, Belgium, Luxembourg and New Zealand were added to the list.

The appointment of a new National Accounts and Sales Director in December is expected to bring about further growth through additional sales channels such as Amazon, and mail order German pharmacy, new product development, new pack sizes, new distributor markets, sustained promotional activity, greater consumer education and increased distribution at certain key accounts.

In December 2018, the group was advised by LRQA, a UK-based Notified Body, of a suspension in the group's CE Certificate for its Flexiseq Active product for reasons of non-conformity with certain requirements needed to carry the medical device CE mark for that product. The revenue impact of this in 2018 was nil as there were sufficient stocks of Flexiseq Active at customers and the group's warehouses to meet all sales demand.

In January 2019, a quality audit was cancelled without notice by LRQA, thereby unexpectedly preventing the group from completing a technical quality system review required to renew the CE certificate for both

Flexiseq and Flexiseq Active as medical devices which expired on 28 February 2019. The Company strongly disagrees with the actions and findings of LRQA and has been given by LRQA a further period until May 2019 to re-instate the CE certificate subject to satisfactory conclusions being reached by the LRQA based on submissions by the group which the group will endeavour to provide. In parallel, and with prospect of a 'Hard Brexit' after which LRQA has announced that it has not obtained and does not foresee obtaining for some time, recognition as a notified body in respect of medical devices marketed in the EU, the group is seeking to register with a non-UK EU qualifying notified body in order to resume use by the group of the CE mark in EU territories (and potentially in the UK). In the meantime for a temporary period the CE mark will not be used by the group for all new manufactured products in all territories and the packaging shall be amended in order not to claim medical device status or otherwise infringe applicable regulations until such time as the CE mark under a non-UK EU Notified Body has been obtained by the group.
Volumes sold for each product are shown below:

	2018 units '000s:	2017 units '000s:
Flexiseq "OA" 50g	624	537
Flexiseq Active 50g	184	151
Flexiseq Active 100g	32	22
Flexiseq Sport 50g	0	<1
Flexiseq Sport 100g	0	<1

The average yield per unit decreased (2018: £6.64 versus 2017: £7.75) due to greater penetration into lower-priced overseas distributor markets and price promotions throughout the year to drive unit growth. Sales of the Sport product were negligible in 2018, being displaced on retailers' shelves by the Active formulation.

HAEMOPHILIA PROJECTS PREPARED FOR EXECUTION:

Following the successful internal fundraising in 2018, the Company was able to commence its Haematology clinical proof-of-concept trial and the two pre-clinical studies aimed at bringing prophylactic care to a wider range of Haemophilia A (HA) patients. These studies leverage the Company's proprietary PEGLip and associated technologies.

Factor VIII replacement therapies:

- SelectAte, intravenously administered prophylactic replacement FVIII for severe HA patients with inhibitors
- SubcutAte, subcutaneously administered prophylactic replacement FVIII in severe HA patients – a subcutaneous version of SelectAte enabling patients to self-administer daily

FVIII chaperone therapy

- ChapAte, intravenous/subcutaneous prophylactic chaperone liposomal therapy in
    - Moderate/mild HA haemophiliacs with VIII deficiency
    - Severe HA haemophiliacs to augment their current standard of care
    - Gene therapy to optimise auto-generated FVIII

The 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

Trials will be conducted at clinical centres in Moscow and St Petersburg to GCP, internationally recognised for excellence in treatment of Haemophilia, with clinical readouts expected in Q4 2019.

Successful completion of one or more of these studies is expected by management to yield data to facilitate a licence or disposal of the haemophilia asset(s) in an asset transaction.

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.

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 group's main marketed product, Flexiseq, that is sold in several countries in the European Union, including the UK, has been marketed and sold in the markets of the UK and the European Union with the status of a medical device. As from 28 February 2019, the group has not placed product onto the market with the status of a medical device due to regulatory approval for the medical device status of the product being unexpectedly not renewed on that date by the relevant notified body in the UK as set out above in the section "Flexiseq Sales Performance". The group has therefore taken steps to produce after that date stock that is not classified as a medical device. The group may also continue to market after that date stock that was prior to that date manufactured as a medical device and put onto the market and the group expects that stock to be sold in retail over a period of months from that date. Finally, the group has initiated steps to obtain in the European Union medical device status for its Flexiseq product as soon as practicable. From a combination of those actions, and from the group's assessment of the strength of the brand of the product in those markets, whether as a medical device or not, and the already underway

re-positioning of the Flexiseq brand from medical claims-based messaging towards consumer experiential-based messaging, the group does not presently foresee a significant and material reduction in sales of the

Flexiseq product in those markets as a result of the loss of such regulatory approval or status as a medical device.

There is nevertheless a significant risk to the group that in changing its product to one that is marketed without medical device status it may, if the Company is also unsuccessful in its efforts to seek near-term regulatory approval in the European Union for Flexiseq, restrict its ability to generate revenue and achieve and sustain profitability. If this outcome occurs, there could be significant and material harm to the Company's business.

There is also a risk that further approvals to be sought in new territories or for new products are delayed or, in the worst case, not obtained, thereby reducing the expected volumes of sales by the group in future. Regulatory approval is also required for the planned haemophilia trials, and there can be no guarantee that this can be obtained 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. 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 £2.9m secured in December 2018 and further anticipated funding in Q2 2019, combined with the cash generated from Flexiseq sales, the group expects to have a cash reach to at least the end of Q1 2020 to continue its Flexiseq business and compete the clinical and pre-clinical proof of concept studies in Haemophilia A. Although the directors are confident, that the group will obtain such funding from existing investors, there is a risk that the group may not obtain such funding or may raise less than originally sought and will not be able to progress all, or any, of the three programmes into further development. Also, the cash reach will not be sufficient to repay the loans which all mature on 23 March 2020 and the directors and management are confident that these loan repayments may be addressed either via a loan restructuring or repayment from a partial exit of the business and there is a risk that either options may not be successful.

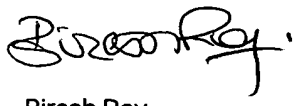
Brexit: Ascension Healthcare PLC is UK-based and makes a significant proportion of its sales within the UK through a group subsidiary also based in the UK. Product is manufactured by contractors in other EU countries and paid for in Euros. The group is therefore exposed to Foreign Exchange fluctuations 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, 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 arising therefrom, but until the legal position

Key staff: As at 31 December 2018 the group has a permanent staff of around 15 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.

PROSPECTS FOR THE GROUP:

The revised business plan 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 shareholders. Both are making progress towards this aim. Management continues to consider and prepare for the potential to monetise the two business areas, most likely in discrete transactions due to their different profiles.



Biresh Roy
Chief Executive
2 April 2019

BOARD OF DIRECTORS

Ascension's board of directors has a broad and complementary range of skills that will be invaluable in driving the group forwards 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

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

Dr. Richard Wolf-Garraway, Chief Operating Officer

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

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 and Chairman of the Audit Committee

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

Irina Rapoport, Non-Executive Director and member of the Audit Committee

Chief Executive Officer of Fonds Rusnano Capital SA. More than 20 years' experience in management, investment and strategic planning. Previously Managing Director of Renaissance Asset Management.

Dmitry Volokhov, Non-Executive Director

Investment Director at Rusnano. More than 10 years' experience in investment, valuation analysis and corporate finance activities.

The directors present their report for the year ended 31 December 2018.

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
David Quint
Irina Rapoport
Biresh Roy (appointed 30 March 2018)
Dmitry Volokhov
Richard Wolf-Garraway
Michael Earl (resigned 6 December 2018)

Result

The profit after tax of the group for 2018 was £5,974,000 (2017: loss of £50,817,000).

Dividends

The directors do not recommend any dividend for the year (2017: £nil).

Research and development

Limited work was undertaken to evaluate new product options for the Flexiseq business, including those with the potential to be suitable for larger unserved markets including the USA. Regulatory work was continued to access new markets for Flexiseq, including progress on the registration of a marketing authorisation application for Russia.

The Haemophilia A proof of concept clinical and preclinical programmes were initiated on receipt of funding in December 2018, with the contract with FNP Clinical, a Russian CRO, having been signed.

A new Medical and Scientific Advisory Board was set up to provide expert advice for the company's Haemophilia programmes. This body meets on an as-required basis to provide detailed review, assessment and recommendations based on detailed scientific, development and industry-specific commercial knowledge.

Events since the balance sheet date

As stated in the Strategic Review section, in January 2019, a quality audit was cancelled without notice by LRQA, thereby unexpectedly depriving the group from completing a technical quality system review required to renew the CE certificate for both Flexiseq and Flexiseq Active as medical devices which expired on 28 February 2019. The Company strongly disagrees with the actions and findings of LRQA and has been given by LRQA a further period until May 2019 to re-instate the CE certificate subject to satisfactory conclusions being reached by the LRQA based on submissions by the group which the group will endeavour to provide. In parallel, and with prospect of a 'Hard Brexit' after which LRQA has announced that it has not obtained and does not foresee obtaining for some time, recognition as a notified body in respect of medical devices marketed in the EU, the group is seeking to register with a non-UK EU qualifying notified body in order to resume use by the group of the CE mark in EU territories (and potentially in the UK). In the meantime for a temporary period the CE mark will not be used by the group for all new

manufactured products in all territories and the packaging shall be amended in order not to claim medical device status or otherwise infringe applicable regulations until such time as the CE mark under a non-UK EU Notified Body has been obtained by the group.

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.

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.

On behalf of the board of directors

Jon Aisbitt
Chairman
2 April 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.

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 2018 which comprise the consolidated income statement, the consolidated statement of 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 on pages 18 to 55, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the company incurred an operating profit of £1.1m, but an operating cash outflow of £2.8m during the year ended 31 December 2018 and is dependent on completing Part 2 of an internal funding round for £3.3m in 2019, and refinancing repayment of a loan to the group's largest shareholder due in March 2020. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 6 and 10 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 intangible assets. As described in note 10 the value in use calculations in respect of the Haematology and Sequessome intangible assets are dependent upon and assume achieving successful clinical trial results for the Haematology products, and raising sufficient investment to enable the clinical trials to be undertaken. There are plans in place but these are subject to the material uncertainty noted above.

Other information

The directors are responsible for the other information. The other information comprises the information included in the financial report set out on pages 4 to 14, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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, 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.

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.

Perry Burton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
2 April 2019

ASCENSION HEALTHCARE PLC

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Revenues	3	5,250	4,443
Grant and other income		2	1,118
Total revenue and grant income		5,252	5,561
Cost of sales	4	(1,958)	(1,649)
Gross profit		3,294	3,912
Advertising and promotion costs		(1,105)	(252)
Research and development costs		(886)	(1,780)
Selling, general and administrative costs	5	(3,603)	(3,724)
Bad debt expense		(112)	7
Depreciation and amortisation		(603)	(2,243)
Exceptional items	6	4,099	(27,121)
Total expenses		(2,210)	(35,113)
Operating profit / (loss)		1,084	(31,201)
Finance costs	7	(6,840)	(75)
		(6,840)	(75)
(Loss) / gain on revaluation of convertible preference share liability	18		
Amortisation of host component		(20,000)	(20,000)
Revaluation of embedded derivative component		32,500	(10,000)
		12,500	(30,000)
Profit / (Loss) before income tax		6,744	(61,276)
Income tax (charge) / credit	9	(770)	10,459
Profit / (Loss) for the financial year		5,974	(50,817)
Profit / (Loss) for the financial year attributable to:			
Owners of the parent		5,992	(50,790)
Non-controlling interest		(18)	(27)
		5,974	(50,817)

The notes on pages 27 to 55 are an integral part of these consolidated financial statements.

ASCENSION HEALTHCARE PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Profit / (Loss) for the financial year	5,974	(50,817)
Items that may subsequently be reclassified to profit and loss		
Exchange differences on translating foreign operations	(1)	(780)
Total comprehensive income for the year	5,973	(51,597)
Total comprehensive income attributable to:		
Owners of the parent	5,991	(51,570)
Non-controlling interest	(18)	(27)
Total comprehensive income for the year	5,973	(51,597)

The notes on pages 27 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

ASSETS

	Note	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	10	190,560	187,060
Property, plant and equipment	11	13	17
Total non-current assets		190,573	187,077
Current assets			
Inventories	12	260	282
Trade and other receivables	13	1,610	2,144
Income taxes recoverable		161	333
Cash and cash equivalents		3,354	3,430
Total current assets		5,385	6,189
Total assets		195,958	193,266

The notes on pages 27 to 55 are an integral part of these consolidated financial statements.

ASCENSION HEALTHCARE PLC

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

EQUITY AND LIABILITIES

	Note	2018 £'000	2017 £'000
Non-current liabilities			
Convertible preference shares	18	42,500	55,000
Borrowings	15	22,721	18,485
Provisions for other liabilities and charges	16	11,874	9,746
Deferred tax liability	17	68,850	68,080
		145,945	151,311
Current liabilities			
Borrowings	15	646	-
Trade and other payables	14	2,881	3,428
Total current liabilities		3,527	3,428
Total liabilities		149,472	154,739
Equity attributable to owners of the parent			
Share capital and share premium	19	4,148	4,148
Other reserves		1,986	-
Currency translation reserve		74	75
Profit and loss reserve		(41,093)	(47,085)
		(34,885)	(42,862)
Non-controlling interests		81,371	81,389
Total equity		46,486	38,527
Total equity and liabilities		195,958	193,266

The financial statements of Ascension Healthcare PLC (registration number 08705972) on pages 18 to 55 were authorised for issue by the board of directors on 2 April 2019 and were signed on its behalf.

Biresh Roy
Chief Executive

Richard Wolf-Garraway
Chief Operating Officer

The notes on pages 27 to 55 are an integral part of these consolidated financial statements.

ASCENSION HEALTHCARE PLC

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Investments in subsidiaries	23	10,019	10,019
Current assets			
Trade and other receivables		64	27
Amounts due from subsidiary undertakings		14,165	11,463
Cash and cash equivalents		2,705	2,688
Total current assets		16,934	14,178
Total assets		26,953	24,197
Non-current liabilities			
Convertible preference shares	18	42,500	55,000
Borrowings	15	22,721	18,270
Amounts due to subsidiary undertakings		68,481	68,759
		133,702	142,029
Current liabilities			
Borrowings	15	646	-
Trade payables		171	127
Accruals		189	214
		1,006	341
Total liabilities		134,708	142,370
Equity attributable to owners of the parent			
Share capital and share premium	19	4,148	4,148
Other reserves		1,986	-
Profit and loss reserve		(113,889)	(122,321)
Total equity		(107,755)	(118,173)
Total equity and liabilities		26,953	24,197

The financial statements of Ascension Healthcare PLC (registration number 08705972) on pages 18 to 55 were authorised for issue by the board of directors on 2 April 2019 and were signed on its behalf.

Biresh Roy
Chief Executive

Richard Wolf-Garraway
Chief Operating Officer

The notes on pages 27 to 55 are an integral part of these consolidated financial statements.

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

	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 2017		124	4,024	-	855	3,705	8,708	81,416	90,124
Loss for the financial year		-	-	-	-	(50,790)	(50,790)	(27)	(50,817)
Translation of foreign operations		-	-	-	(780)	-	(780)	-	(780)
Total comprehensive income for the year		-	-	-	(780)	(50,790)	(51,570)	(27)	(51,597)
Balance at 31 December 2017		124	4,024	-	75	(47,085)	(42,862)	81,389	38,527
Balance at 1 January 2018		124	4,024	-	75	(47,085)	(42,862)	81,389	38,527
Profit for the financial year		-	-	-	-	5,992	5,992	(18)	5,974
Translation of foreign operations		-	-	-	(1)	-	(1)	-	(1)
Total comprehensive income for the year		-	-	-	(1)	5,992	5,991	(18)	5,973
Share based payment charge for the year		-	-	1,986	-	-	1,986	-	1,986
Balance at 31 December 2018		124	4,024	1,986	74	(41,093)	(34,885)	81,371	46,486

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 for the share based payments reserve.

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

The notes on pages 27 to 55 are an integral part of these consolidated financial statements.

ASCENSION HEALTHCARE PLC

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

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss reserve £'000	Total equity £'000
Balance at 1 January 2017		124	4,024	-	(80,299)	(76,151)
Total comprehensive income for the year		-	-	-	(42,022)	(42,022)
Total		124	4,024	-	(122,321)	(118,173)
Balance at 31 December 2017		124	4,024	-	(122,321)	(118,173)
Balance at 1 January 2018		124	4,024	-	(122,321)	(118,173)
Total comprehensive income for the period		-	-		8,432	8,432
Total		124	4,024	-	(113,889)	(109,741)
Share based payment charge for the year		-	-	1,986	-	1,986
Balance at 31 December 2018		124	4,024	1,986	(113,889)	(107,755)

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

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

The notes on pages 27 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Cash flows from operating activities			
Cash flows used in operating activities	20	(2,782)	(6,000)
Finance income received/(costs paid)		(360)	162
Income tax credits received		190	93
Net cash flows used in operating activities		(2,952)	(5,745)
Cash flows from financing activities			
New borrowings	15	2,876	6,619
Net cash flows generated from financing activities		2,876	6,619
Net increase/(decrease) in cash and cash equivalents		(76)	874
Cash and cash equivalents at 1 January		3,430	2,555
Cash and cash equivalents at 31 December		3,354	3,430

The notes on pages 27 to 55 are an integral part of these consolidated financial statements.

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Cash flows from operating activities		
Cash (outflows)/inflows from operations	1,213	(1,523)
Finance income received/(costs paid)	(1,090)	(2,429)
Net cash flows used in operating activities	123	(3,952)
Cash flows from investing activities		
Loans to and investments in subsidiaries	(2,982)	(1,953)
Net cash flows used in investing activities	(2,982)	(1,953)
Cash flows from financing activities		
New borrowings	2,876	6,619
Net cash flows generated from financing activities	2,876	6,619
Net increase in cash and cash equivalents	17	714
Cash and cash equivalents at 1 January	2,688	1,974
Cash and cash equivalents at 31 December	2,705	2,688

The notes on pages 27 to 55 are an integral part of these consolidated financial statements.

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 is a limited liability company incorporated on 25 September 2013 and is domiciled in the United Kingdom.

1. Significant changes in the current reporting period

The financial performance of the group was affected by the following events and transactions during the year:

- Increased revenues from the Flexiseq range of products reflecting the improvement in trading activity through penetration in existing markets and continued geographical expansion, now in 23 countries, and re-focus on experiential marketing using prominent brand ambassadors
- Gross margin excluding grant and other income steady at 63%
- A substantial increase in advertising and promotional spend, following receipt of further funding in December 2017, to maintain consistent brand awareness in directly marketed countries. This has increased sales by 38% in 2018 in total in UK, Ireland, Germany and Austria
- As reduction in R&D spend pending the securing of finance for the haemophilia projects, following market feedback, from internal sources to conduct human proof of concept studies in SelecAte and progress the SubcutAte and ChapAte preclinical studies to be clinic-ready. Following additional funding in December 2018, these programmes have now commenced
- A reduction in SG&A costs due to ongoing efficiencies and restructuring
- The successful loan financing of the group by the securing of a £2.9m loan facility via the largest shareholder to extend the cash reach of the Flexiseq business to at least Q2 2019. See below note 2 Going Concern
- An increase in Finance costs in the year due to the charge for share warrants issued in December 2017, an increase in the provision of deferred consideration payable and a foreign exchange loss recorded (compared to a profit in 2017)

For a detailed discussion on the groups' financial performance for the year and financial position, please see our Strategic Review section.

2. Going concern

On 13 December 2018, under the terms of a Supplemental Loan Agreement with the group's largest shareholder, being supplemental to the main Loan Agreement, the group successfully completed a loan financing of £2.9m, being part 1 of a total internal funding round of circa £6.2m. Part 2, being the balance, is anticipated to complete in Q2 2019. The directors are confident that with the group's business plan, cash generated from Flexiseq sales and this further financing, the group will have a cash reach to at least the end of Q1 2020 to continue its Flexiseq business and carry out its Haemophilia A programme. 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 profit of £1.1m but an operating cash outflow of £2.8m for the year to 31 December 2018. In addition, the group has in place a Loan Agreement and a Supplemental Loan agreement, both of which mature on 23 March 2020. Discussions are in progress with the group's largest shareholder to restructure these in order to facilitate repayment from the proceeds of a partial or entire exit. Management are confident that such discussions will be successful in deferring repayment with that objective.

Therefore, the directors and management take the view 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. However, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

3. 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 2018 £'000	Year ended 31 Dec 2017 £'000
UK and Ireland	3,489	2,516
Continental Europe	1,307	1,219
Asia	324	245
Rest of world	130	464
	5,250	4,443

Revenues of approximately £1.1 million (2017: £0.9 million) are derived from a single external customer. These revenues were generated in the UK.

4. Cost of sales

The cost of inventories recognised as an expense and included in cost of sales amounted to £1,200,000 (2017: £1,005,000).

5. Selling, general and administrative costs

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Management and administrative costs	2,163	2,530
Professional fees	746	436
Travel expenses	88	62
Establishment and other costs	606	696
	3,603	3,724

Selling, general and administrative costs include an amount accrued of £36,000 for auditor's remuneration for the 2018 audit of the company. The auditor is expected to receive fees for other services, mainly concerning the audit of the group's subsidiaries in 2018, amounting to £58,000 and to receive a further fee payable to affiliates of Grant Thornton International for the preparation of financial statements of the group's Maltese subsidiaries amounting to just over £30,000. In 2017 the group recorded audit costs of £67,000 for the company and £59,000 for its subsidiaries in its consolidated income statement.

6. Exceptional items

	Note	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Revaluation / (Impairment) of intangible assets as a resulting from fair value adjustment to Sequessome	10	4,099	(27,121)
		4,099	(27,121)

At the end of 2018, 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 4 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.

The valuers' report, using the same methodology as in 2017 and using the updated business plan forecasts, provided a midpoint valuation of £13.5m. Therefore, a £4.1m revaluation of the carrying value to £13.5m was applied.

7. Finance income and costs

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Interest expense		
Paid and accrued	(1,759)	(1,334)
Amortisation of fee associated with Knight loan (see note 15)	(191)	(526)
Share warrants charge for the year (see note 29)	(1,986)	-
Provision charge for deferred consideration (see note 16)	(1,549)	-
Exchange differences	(1,299)	2,143
Other finance/bank charges	(56)	(358)
Finance costs	(6,840)	(75)
Net finance (costs)	(6,840)	(75)

8. Employee benefits

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Wages and salaries (including benefits and bonuses)	1,679	2,509
Employer payroll taxes	219	300
Employer pension contributions	81	99
	1,979	2,908

The average number of personnel employed during the financial year was 17 (as at 31 December 2017: 39).

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

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Short-term employee benefits	662	907
	662	907

Short term employee benefits include salaries, benefits in kind, and pension contributions. Pensions contributions of £26k (2017: £12k) are included in the above.

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

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Directors emoluments	206	254
	206	254

9. Income tax expense

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Current tax		
Current tax on loss for the year	-	(130)
Adjustment in respect of prior years	-	37
Total current tax	-	(93)
Deferred tax expense / (credit)	770	(10,366)
Income tax expense / (credit)	770	(10,459)

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 2018 £'000	Year ended 31 Dec 2017 £'000
Reconciliation of tax expense		
Profit / (Loss) before tax	6,744	(61,276)
Tax calculated at domestic tax rates applicable to profits in the respective countries and giving an effective rate of 17% (2017: 27%)	1,147	(16,841)
Tax effects of:		
Tax losses and other differences for which no deferred income tax asset was recognised	(377)	6,332
Adjustments in respect of prior years	-	50
Tax expense/(credit)	770	(10,459)

10. Intangible assets

	Goodwill £'000	Intellectual property, trademarks and licences £'000	Total £'000
Cost			
As at 31 December 2017 and 2018	217	778,260	778,477
Accumulated amortisation and impairment			
As at 31 December 2016	-	561,662	561,662
Amortisation charge	-	2,234	2,234
Impairment	217	27,304	27,521
As at 31 December 2017	217	591,200	591,417
Amortisation charge	-	599	599
Impairment revaluation	-	(4,099)	(4,099)
As at 31 December 2018	217	587,700	587,917
Net book value			
Cost (restated)	217	778,260	778,477
Accumulated amortisation	(217)	(591,200)	(591,417)
As at 31 December 2017	-	187,060	187,060
Cost	217	778,260	778,477
Accumulated amortisation	(217)	(587,700)	(587,917)
As at 31 December 2018	-	190,560	190,560

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 2018 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, 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 2 to the financial statements.

The fair values resulting from the valuation were £397m and £13.5m for Haematology and Sequessome respectively. The carrying value of the Haematology asset at £177m is being maintained and the Sequessome asset revalued to £13.5m.

The group's intellectual property and licence assets had a carrying value at the end of 2018 of £191m (2017: £187m).

11. Property, plant and equipment

	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
Year ended 31 December 2017			
Opening net book amount	24	2	26
Depreciation charge	(8)	(1)	(9)
Closing net book amount	16	1	17
At 31 December 2017			
Cost or valuation	69	58	127
Accumulated depreciation	(53)	(57)	(110)
Net book amount	16	1	17
Year ended 31 December 2018			
Opening net book amount	16	1	17
Depreciation charge	(4)	-	(4)
Closing net book amount	12	1	13
At 31 December 2018			
Cost or valuation	69	58	127
Accumulated depreciation	(57)	(57)	(114)
Net book amount	12	1	13

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

12. Inventories

The group's inventories comprise only finished goods.

13. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	622	476
Other receivables	15	28
Other asset	833	1,281
Prepaid expenses	140	359
	1,610	2,144

During 2018 the group wrote off bad debts against trade receivables of £112,000 (2017: £nil) and made no provisions against other receivables (2017: £nil).

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 2018 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 £194,000. Were the discount rate used one percentage point higher the value of this asset would have been reduced by £17,000.

The carrying amounts of the group's trade receivables are denominated in the following currencies:

	2018 £'000	2017 £'000
Sterling	337	178
Euro	215	292
US dollar	65	-
Russian Rouble	5	6
	622	476

Included within trade receivables were amounts due from two parties that amounted to £519,000 in aggregate. The amounts due from these parties have since been settled in full.

14. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	690	1,777
Other payables	460	26
Social security and other taxes	104	151
Accrued expenses	1,627	1,474
	2,881	3,428

15. Borrowings

	Interest rates applicable in 2018	Maturity	2018 £'000	2017 £'000
Non-current				
Loan	10 per cent.	2020	22,721	18,485
			22,721	18,485
Current				
Loan	10 per cent.	2019	646	-
			646	-

The table below sets out the fair value of the liability of the group's borrowings as at 31 December 2018.

	2018 £'000	2017 £'000
Liability as at 1 January	18,485	11,630
Amount of loan drawn down	2,876	6,619
Amount of interest capitalised	1,397	567
Exchange differences	371	(893)
	23,129	17,923
Amortisation of fee associated with loan and accrued interest (see note 7)	191	526
Accrued loan interest	47	36
Liability as at 31 December	23,367	18,485

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.

On 11 May 2017 the company entered 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. The loan attracts an interest rate of 10% per annum and is repayable in full on 23 March 2020 and is to be 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. On 13 December 2018 the company drew down a further £2.876m on the same terms as above and the loan covenants have been renegotiated.

As at the date of these accounts the company was in full compliance with all existing covenants under the loan agreement.

16. Provisions for other liabilities and charges

	Deferred and contingent consideration £'000
At 31 December 2016	10,656
Exchange differences	(910)
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	11,874

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) deferred 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 deferred and contingent consideration described above have been assumed to be paid in 2020 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.

17. Deferred tax liability

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

	2018 £'000	2017 £'000
As at 1 January	68,080	78,446
Income statement charge / (credit) (see note 9)	770	(10,366)
As at 31 December	68,850	68,080

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.

The movement on the deferred tax account in 2018 includes an increase of the deferred tax provision of £0.8 million (2017: decrease of £10 million) which relates to the revaluation of intangible assets during 2018. 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 £56 million (2017: £52 million) that may be carried forward against future taxable income.

18. 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. 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.

	Host component £'000	Embedded derivative component £'000	Convertible preference share £'000
As at 31 December 2016	210,000	(185,000)	25,000
Remeasurement of convertible preference share liability	20,000	10,000	30,000
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

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.

19. 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 2016	74	50	124	4,024	4,148
Issues during the year	50	(50)	-	-	-
At 31 December 2017 and 2018	124	-	124	4,024	4,148

On 10 July 2017 the A ordinary shares issued by the company were re-designated as ordinary shares and the class of A ordinary shares ceased to exist.

20. Cash flows from operating activities

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Profit / (Loss) before tax	6,744	(61,276)
Depreciation and amortisation charges (notes 10 and 11)	603	2,243
(Gain) / Impairment of intangible assets (note 6)	(4,099)	27,121
Revaluation of convertible preference share (note 18)	(12,500)	30,000
Finance income (note 7)	-	-
Finance costs (note 7)	3,305	75
Movement in provision for deferred consideration (note 16)	1,549	-
Share options charge for the year (note 29)	1,986	-
Decrease in inventories	22	68
Decrease in receivables	533	956
Decrease in payables	(925)	(5,187)
Cash flows used in operating activities	(2,782)	(6,000)

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.

21. Financial risk management

21.1 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 2018, 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 £770,000 (2017: £721,000) worse, mainly as a result of cost of goods sold being denominated in Euros. The impact on equity would have been a reduction of £613,000 (2017: £546,000) since the group's Euro are denominated assets less than the liabilities.

At 31 December 2018, 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 £12,000 worse in 2018 (2017: £33,000) because most of the group's finance costs are denominated in US dollars in 2018. The impact on equity would have been a decrease of £567,000 in 2018 (2017: £1,048,000) 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.

21.2 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 2018 the group had external borrowings outstanding totalling £23.3 million. As mentioned in note 2, the group remains dependent on securing external sources of funding.

21.3 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:

	2018 £'000	2017 £'000
Cash and cash equivalents	3,354	3,430
Trade and other receivables (excluding prepayments)	637	504
Contingent consideration recieivable	833	1,281
Total financial assets	4,824	5,215
Borrowings	23,367	18,485
Convertible preference shares	42,500	55,000
Trade and other payables (excluding accruals, deferred income, tax and social security)	1,150	1,803
Contingent consideration payable	11,874	9,746
Total financial liabilities	78,891	85,034

At 31 December 2018 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 18. In addition the group has valued contingent consideration assets and contingent consideration liabilities using level 3 inputs as described in notes 13 and 16.

22. 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.

22.1 Critical judgements in applying the entities' accounting polices

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 13 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 16 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.

22.2 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 10, 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.

22.3 Critical judgements on going concern

As stated in Note 2, the Board and management have assessed the going concern basis of preparation of the financial statements and made critical judgements specified in that note.

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 23.

23. Subsidiaries

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

Investment in subsidiaries	2018 £'000	2017 £'000
At 1 January	10,019	20,019
Impairment of investments	-	(10,000)
At 31 December	10,019	10,019

As at 31 December 2018 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%		
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%	
Cantab Anti-Infectives Limited	United Kingdom	Healthcare products developer		100%		

During 2018 Novacta Malta 1 PLC, Novacta Malta 2 PLC, Novacta Malta 3 PLC , Cantab Biopharmaceutical Holdings Ltd and Novacta Biosystems Ltd were liquidated.

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 and its wholly owned subsidiary Novacta Biosystems Limited 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.

Summarised financial information for PBB (Malta) Limited is set out below.

Summarised balance sheet	PBB (Malta) Limited	
	2018	2017
	£'000	£'000
Current assets	51,417	51,423
Current liabilities	(30)	(9)
Total current net assets (liabilities)	51,387	51,414
Non-current assets	13,551	12,792
Non-current liabilites	(10,326)	(9,746)
Total non-current net assets (liabilites)	3,225	3,046
Net assets (liabilities)	54,612	54,460

Summarised income statement	PBB (Malta) Limited	
	Year ended 31 Dec 2018	Year ended 31 Dec 2017
	£'000	£'000
Revenue	-	-
Loss before taxation	(710)	(3,118)
Taxation	-	-
Loss after taxation	(710)	(3,118)
Other comprehensive income	-	-
Total comprehensive income	(710)	(3,118)

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.

24. Contingent liabilities

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

25. Guarantees

As part of the borrowing arrangements disclosed in note 15, certain group companies have provided cross-guarantees on the loan obligations and security on their assets.

26. Commitments

a) Capital commitments

At 31 December 2018 the group had no outstanding capital commitments.

b) Operating lease commitments

Rental and operating lease payments were £175,000 for the year ended 31 December 2018 (2017: £272,000). On 12 February 2019, the Company entered into a 24 month lease agreement to 31 March 2021 for new premises.

The group leases various offices and equipment under non-cancellable operating lease agreements. At the balance sheet date, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	272	175
In the second to fifth years inclusive	285	423
	557	598

27. Events after the reporting period

As stated in the Strategic Review section, in January 2019, a quality audit was cancelled without notice by LRQA, thereby unexpectedly depriving the group from completing a technical quality system review required to renew the CE certificate for both Flexiseq and Flexiseq Active as medical devices which expired on 28 February 2019. The Company strongly disagrees with the actions and findings of LRQA and has been given by LRQA a further period until May 2019 to re-instate the CE certificate subject to satisfactory conclusions being reached by the LRQA based on submissions by the group which the group will endeavour to provide. In parallel, and with prospect of a 'Hard Brexit' after which LRQA has announced that it has not obtained and does not foresee obtaining for some time, recognition as a notified body in respect of medical devices marketed in the EU, the group is seeking to register with a non-UK EU qualifying notified body in order to resume use by the group of the CE mark in EU territories (and potentially in the UK). In the meantime for a temporary period the CE mark will not be used by the group for all new manufactured products in all territories and the packaging shall be amended in order not to claim medical device status or otherwise infringe applicable regulations until such time as the CE mark under a non-UK EU Notified Body has been obtained by the group.

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.

27. Related party transactions

Related party transactions – group disclosure

In addition to the related party transactions disclosed in notes 6, 15 and 23, 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 2018 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 8.

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 2018 £'000	Year ended 31 Dec 2017 £'000
Receivables from related parties		
Pro Bono Bio Entrepreneur Limited	7,605	5,978
Pro Bono Bio International Limited	3,883	3,237
Leverton Licence Holdings Limited	2,365	2,049
Cantab Biopharmaceuticals Patents Limited	37	33
PBB Group PLC	5	-
Sequessome Technology Holdings Limited	270	-
	14,165	11,297
Payables to related parties		
PBB (Malta) Limited	67,430	67,750
Pro Bono Bio International Limited	1,051	1,023
Pro Bono Bio Group PLC	-	2
	68,481	68,775

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 (2017: £ nil).

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.

28. 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:

	2018 Options over number of ordinary shares	2018 Weighted average exercise price	2017 Options over number of ordinary shares	2017 Weighted average exercise price
Issued at 31 January	785	n/a	778	n/a
Granted/Net movement	0	£1.00	7	£1.00
Exercised	0	n/a	0	n/a
Lapsed	8	£1.00	0	£1.00
Issued at 31 December	0	£1.00	0	£1.00
Exercisable at 31 December	777	£1.00	785	£1.00

During the year ended 31 December 2018, nil options over ordinary shares were granted (2017: nil) with a weighted average exercise price of £1 per share.

At 31 December 2018 options over 777 ordinary shares are vested (2017: 785). At 31 December 2018, the weighted average remaining term of exercisable options was 7 years.

The weighted average fair value of an option, as estimated for 2018, was £104.32 per share (2017: £78.23 per share). This was calculated using a version of the Black Scholes valuation model using the following weighted average assumptions:

	2018	2017
Estimated share price at year end	£169.16	£127.83
Exercise price	£1.00	£1.00
Expected volatility	19%	31%
Expected life	10 years	10 years
Expected dividends	0.00%	0.00%
Risk-free interest rate	1.27%	1.29%
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 2018 and 2017 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.

The aggregate fair value of all of the options as adjusted for the fair value of the 2017 underlying intangible assets amounted to approximately £81,000. All of these would have been allocated to the income statement in 2018 based on the expected vesting of these options at the time of grant. No charge has been made in 2018 to the income statement in respect of these options on the grounds of materiality.

29. Warrants attaching to the 21 December 2017 and 13 December 2018 Supplemental Loan Agreements

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 300m Convertible Preference Shares issued by Ascension Healthcare PLC.

In all other respects the warrants are identical in nature to the company's share options. Accordingly, the fair value of such warrants have been determined in the same way, yielding an aggregate fair value of £5,959,000. In 2018, an Income Statement charge has been accounted for in the year of £2,979,000.

On 13 December 2018, the company drew down £2.876m under the terms of its loan from Rusnano. Simultaneously with that arrangement, in December 2018, 800,000 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. 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). No profit and loss charge has been accounted for in the 2018 accounts as the warrants are yet to be issued. In all other respects the warrants are identical in nature to the company's share options. Accordingly, the fair value of such warrants have been determined in the same way, yielding an aggregate fair value of £1,232,000.

30. 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.

30.1 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.

The comparative figures 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 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 statementsare set out in note 22.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the group. These are summarised below:

- IFRS 16 Leases: IFRS 16 specifies how companies will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019. This standard is expected to have no material impact on the group's financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

30.2 Consolidation

(a) Subsidiaries

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.

30.3 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.

(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.

30.4 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

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.

30.5 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.

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.

30.6 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.

30.7 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.

30.8 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 fair value.

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.

30.9 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.

30.10 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.

30.11 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.

30.12 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.

30.13 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.

30.14 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.

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.

30.15 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.

30.16 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.

Implementation of IFRS15 has no material impact on revenue recognition on the sale of healthcare products or on grant income.

30.17 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.

30.18 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

CONTENTS

ASCENSION HEALTHCARE PLC

COMPANY STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
General and administrative costs	2	(311)	(411)
Total expenses		(311)	(411)
Operating loss		(311)	(411)
Finance income	3	-	910
Finance costs	3	(4,576)	(1,880)
Fair value adjustment of convertible preference shares	4	12,500	(30,000)
Impairment of investment in subsidiaries	4	-	(10,000)
Intangibles adjustment per IFRS 9	4	819	(641)
(Loss)/profit before income tax		8,432	(42,022)
Taxation	6	-	-
Profit / (loss) for the financial year		8,432	(42,022)

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Profit / (loss) for the financial year	8,432	(42,022)
Total comprehensive income / (loss) for the year	8,432	(42,022)

The notes on pages 59 to 62 are an integral part of these non-statutory financial statements.

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

On 13 December 2018, under the terms of a Supplemental Loan Agreement with the group's largest shareholder, being supplemental to the main Loan Agreement, the company successfully completed a loan financing of £2.9m, being part 1 of a total internal funding round of circa £6.2m. Part 2, being the balance, is anticipated to complete in Q2 2019. The directors are confident that with the group's business plan, cash generated from Flexiseq sales and this further financing, the company and the group will have a cash reach to at least the end of Q1 2020 to continue its Flexiseq business and carry out its Haemophilia A programme. 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 £8.4m but a cash outflow, excluding new financing, of £2.9m for the year to 31 December 2018. In addition, the group has in place a Loan Agreement and a Supplemental Loan agreement, both of which mature on 23 March 2020. Discussions are in progress with the group's largest shareholder to restructure these in order to facilitate repayment from the proceeds of a partial or entire exit. Management are confident that such discussions will be successful in deferring repayment with that objective.

Therefore, the directors and management take the view 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. However, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

2. General and administrative costs

General and administrative costs include an amount accrued of £3k (2017 - £35k) for auditor's remuneration for the 2018 audit of the company.

3. Finance income and costs

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Foreign currency income	-	910
Finance income	-	910
Interest expense	(1,740)	(1,321)
Foreign currency expense	(654)	-
Other finance/bank charges	(2,182)	(559)
Finance costs	(4,576)	(1,880)
Net finance (costs)	(4,576)	(970)

4. Exceptional items

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Impairment of investment in subsidiaries	-	(10,000)
Revaluation of convertible preference shares	12,500	(30,000)
Revaluation of intercompany receivables per IFRS 9	819	(641)
	13,319	(40,641)
Revaluation of Convertible preference shares	(12,500)	40,000
	819	(641)

5. Directors Remuneration

No directors were remunerated through the Company in 2018.

Remuneration paid by the company to the directors is set out below.

	2018 £'000	2017 £'000
Aggregate emoluments	-	50
	-	50

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

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Aggregate remuneration	-	25
	-	25

6. Income tax expense

In 2018 the company recorded no income tax expense (2017: nil), reflecting that it had not made an operational profit.

The company has estimated tax losses of £5,578,000 (2017 - £5,285,000) available for carry forward against future trading profits.

7. 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.

7.1 Critical judgements in applying the entities' accounting polices

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.

7.2 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.

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.

8. Events after the reporting period

There are no reporting events after the reporting period to report.

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.

9. 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.

9.1 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.

9.2 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.

9.3 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.

9.4 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.