

Advent Life Sciences LLP

Report and Accounts

**For the year ended
31 December 2019**

**Registered in England and Wales
Number: OC347034**



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Members' Report

The Members present their report and accounts for the year ended 31 December 2019.

Principal activities

Advent Ventures Life Sciences LLP ("the LLP") was established on 8 July 2009 and changed its name to Advent Life Sciences LLP on 8 July 2011. The LLP is authorised and regulated by the Financial Conduct Authority.

The LLP's principal activities are venture capital investing and until 3 December 2019 acting as General Partner to Advent Life Sciences Fund I LP ("ALSF I") and Advent Life Sciences Fund II LP ("ALSF II"), both venture capital investment partnerships (together "the Funds").

From 3 December 2019 the LLP's role changed to Manager of the Funds. The LLP is also already the Manager of an additional Fund, Advent Life Sciences Fund III LP ("ALSF III").

There have not been any other significant changes in the LLP's principal activities during the year. The members are not aware of any likely major changes in the LLP's activities in the next year.

Results for the year

The results of the LLP for the year ending 31 December 2019 may be found on page 9 of these accounts.

Principal subsidiaries

Details of principal subsidiaries and their activities are given in Note 5.

Funds Committed

The LLP holds benefits from investment as an investor alongside ALSF I and ALSF II. The LLP is subject to a co-investment agreement with the Funds, as described in Note 12 to the accounts.

ALSF I held its final closing on 21 June 2012 and as at 31 December 2019 the total commitments were £101,300,000. With the consent of the Limited Partners, ALSF I was re-opened on 18 May 2012 to accept a new Limited Partner and increase commitments from the existing Limited Partners. Under the terms of the co-investment agreement mentioned above, the LLP's commitment to ALSF I is £4,100,000.

ALSF II held its final closing on 27 October 2014 and as at 31 December 2019 the total commitments were £145,480,000. Under the terms of the co-investment agreement mentioned above, the LLP's commitment is £5,000,000.

Additionally the LLP is the Manager of ALSF III but will not invest alongside the Fund.

Post balance sheet events

From 1 January 2020 to 26 March 2020, Advent Life Sciences LLP invested a total of £71,857 in Leviccept Ltd, Ventus Medical Ltd and Iterum Therapeutics Inc.

Going Concern

After making enquiries, the members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Members' Report (continued)

Members

There are two classes of partner constituting the LLP, described as follows:

Members: Participants in the profits of the LLP;

Investing Members: Participants in investing activity under the terms of the co-investment agreements of the Funds.

Policy on members' drawings

The LLP's policy is to distribute profits in accordance with section 16.2 of the Limited Liability Partnership Agreement ("the Partnership Agreement") dated 8 July 2009 as amended and restated from time to time, which states that in respect of each Accounting Period, the profits of the LLP shall be divided between the Profit Sharing Partners, firstly in an amount equal to their respective Profit Sharing Amounts and secondly in accordance with their respective Profit Sharing Percentages.

Review of the year ended 31 December 2019

New investments

The LLP made the following new investments during the year:

Investee Company	Date of Completion	Invested Cost £	Investment type
Aura Biosciences Inc	01 April 2019	23,234	Follow on investment
Acutus Medical Inc	17 May 2019	15,834	Follow on investment
Capella Biosciences Ltd	16 August 2019	6,746	Follow on investment
F2G Ltd	21 November 2019	17,204	Follow on investment
Aura Biosciences Inc	20 December 2019	23,204	Follow on investment
Amphista Therapeutics Ltd	23 January 2019	29,214	Follow on Investment
Project Paradise Ltd	13 February 2019	34,373	Follow on Investment
Pheno Therapeutics Ltd	27 March 2019	34,373	New Investment
Arrakis Therapeutics Inc	12 April 2019	18,758	Follow on Investment
Aleta Biotherapeutics Inc	25 April 2019	53,496	Follow on Investment
Amphista Therapeutics Ltd	28 June 2019	22,340	Follow on Investment
Artax Biopharma Inc	30 July 2019	12,848	Follow on Investment
Alpha Anomeric SAS	30 July 2019	15,749	Follow on Investment
Ventus Medical Ltd	17 October 2019	17,185	Follow on Investment
Arrakis Therapeutics Inc	05 November 2019	76,231	Follow on Investment
Artax Biopharma Inc	12 November 2019	34,754	Follow on Investment
Aleta Biotherapeutics	15 November 2019	53,616	Follow on Investment
Amphista Therapeutics Ltd	12 December 2019	34,369	Follow on Investment
Tridek-One Therapeutics	20 December 2019	10,238	Follow on Investment
		<hr/> 533,766 <hr/>	

Members' Report (continued)

Realisations

Proceeds of £39,914 received during the year related to Escrow proceeds of the LLP's holding in CardiaQ VT. This is the final payment expected in relation to this investment.

Valuation of investments

The LLP's investments are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2018. These guidelines are based on the overall principle of 'fair value' in order to be consistent with FRS 102.

Full details of accounting policies with respect to valuation of investments are included in note 2 to the accounts.

Drawdowns and undrawn commitments

The Members have provided capital contributions totalling £15,000 as at 31 December 2019 (2018: £15,000).

The Investing Members provided capital contributions totalling £22 as at 31 December 2019 (2018: £22) and are responsible for the loan commitment of £4,100,000 in ALSF I and £5,000,000 in ALSF II. As at 31 December 2019, 9% (2018: 10%) of total loan commitments in ALSF I and 39% (2018: 48%) of total loan commitments in ALSF II remain undrawn.

Amounts attributable to the Members

During the year the LLP received income as the General Partner of ALSF I and ALSF II and as the Manager of ALSF III.

For the period to 3 December 2019 the LLP was the General Partner of ALSF I and ALSF II. Therefore the income entitlement of the LLP consists of a share ("General Partner's Share") in the profits of the Funds. The amount of the General Partner's Share is determined by reference to total commitments to ALSF I and ALSF II and is to be satisfied by a priority allocation to the LLP as General Partner out of the net income and/or realised capital gains of the Funds. To the extent that there is insufficient net income and/or realised capital gains available in the Funds to satisfy this entitlement, the Funds advance a corresponding amount to the LLP, on an interest-free basis. This advance is repayable by the LLP out of its share of future profits from the Funds. If, at the end of the life of the Funds, there have been insufficient profits received from the Funds to enable the advance to be repaid, the advance will be forgiven. The General Partner's Share advanced to the General Partner is reduced by an amount equal to expenses incurred by the Funds on behalf of the LLP in accordance with the Partnership Agreements.

As detailed in note 1a, the General Partner's Share is being treated as income in line with Financial Reporting Standard 102. This treatment results in the net General Partner's Share income being allocated to the Partners. In 2019, this amounted to £3,774,065 (2018: £3,290,748). In addition to this, other expenses, net of administrative expenses of £946,913 have been allocated to the Members in the year ended 31 December 2019 (2018: £223).

Management fees of £1,560,042 were received from ALSF III in accordance with the Management Agreement between the LLP and ALS III GP LLP, acting as the General Partner of ALSF III.

Members' Report (continued)

On 3 December 2019 the LLP also signed a Management Agreement with Advent Life Sciences GP LLP and from 1 January 2020 the LLP will receive a Management fee from ALSF I and ALSF II in accordance to this agreement.

Amounts attributable to the Investing Partners

The excess of expenses over income attributable to the Investing Members for the year was £440 (2018: £313), which has been transferred to the partners accounts along with net capital losses of £168,256 (2018: £nil). Capital gains of £33,099 which were previously unallocated have now been allocated to the Investing Members capital accounts upon receipt of the final escrow payment for CardiaQ.

Members

The designated profit sharing Members of the LLP during the year were as follows:

M.S.A. Malik

R.B. Parekh

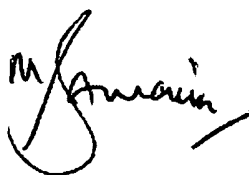
Disclosure of information to auditors

The members confirm that, so far as it is aware, there is no relevant audit information of which the LLP's auditors are unaware, and the members have taken all the steps that ought to have been taken as a member to make itself aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

Auditors

KPMG LLP has expressed their willingness to continue to act as auditor of the LLP.

By order of the Members on 26 March 2020:



M.S.A Malik
Designated Member

Statement of Members' Responsibilities in respect of the Members' Report and the Accounts

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

Independent Auditor's report to the Members of Advent Life Sciences LLP

Opinion

We have audited the financial statements of Advent Life Sciences LLP ("the LLP") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Cash Flow Statement and Reconciliation of Movement in Members' Interests, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the LLP as at 31 December 2019 and of the profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the members, such as valuation of investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the LLP's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the LLP's future prospects and performance. However, no audit should be expected to predict the knowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the members' conclusions, we considered the inherent risks to the LLP's business model, including the impact of Brexit, and analysed how those risks might affect the LLP's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the LLP will continue in operation.

Other information

The members are responsible for the other information, which comprises the Members' report and the Statement of Members' Responsibilities in respect of the Members' Report and the financial statements. Our

opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 6, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Lungalang

Jonathan Lungalang (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
26 March 2020

**Statement of Comprehensive Income
For the year ended 31 December 2019**

	Notes	2019 £	2018 £
Turnover	3	5,334,107	3,290,748
Operating expenses		(949,636)	(3,502)
Operating Profit		4,384,471	3,287,246
Bank interest receivable		2,283	2,966
Investment income		-	2,575
Net realised (losses)/gains on disposal		(201,355)	3,675
Movement in unrealised gains and losses	7	4,337,621	(1,347,038)
Profit for the financial year before members' remuneration and profit shares		8,523,020	1,949,424
Members' remuneration charged as an expense		(4,387,194)	(3,290,525)
Profit/(Loss) for the financial year available for discretionary division among members		4,135,826	(1,341,101)
Allocated as follows:			
Income			
Investing Members		(440)	2,262
Members		-	-
Capital			
Investing Members' realised losses		(168,256)	-
Unallocated realised gains and losses		(33,099)	3,675
Unallocated unrealised gains and losses		4,337,621	(1,347,038)
Total		4,135,826	(1,341,101)

The net profit on the LLP Income Statement arises from continuing activities.

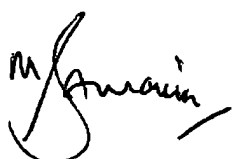
There were no other items of comprehensive income for the year and therefore the profit for the year is also the total comprehensive income for the year

The notes on pages 14 to 27 form part of these accounts.

Balance Sheet
As at 31 December 2019

	Notes	2019 £	2018 £
Fixed Assets			
Investments in subsidiaries	4	1	1
Investments	6	11,488,993	7,108,920
		<u>11,488,994</u>	<u>7,108,921</u>
Current assets			
Debtors	7	495,761	33,117
Cash at bank and in hand		185,416	828,175
		<u>681,177</u>	<u>861,292</u>
Creditors: amounts falling due within one year	8	<u>(208,525)</u>	<u>(427,722)</u>
Net current assets		<u>472,652</u>	<u>433,570</u>
Net assets attributable to members		<u>11,961,646</u>	<u>7,542,491</u>
Represented by:			
Loans and other debts due to members within one year		6,194,565	6,079,931
Members			
Members other interests - Other reserves classified as equity under FRS 102		15,022	15,022
Total members' interests		<u>6,209,587</u>	<u>6,094,953</u>
Unallocated realised gains		-	33,099
Unallocated unrealised gains		5,752,059	1,414,439
Total Capital and reserves		<u>11,961,646</u>	<u>7,542,491</u>

These accounts were approved by the Members on 26 March 2020 and signed on its behalf by:



M.S.A Malik
Designated Member
The notes on pages 14 to 27 form part of these accounts.
Registered Number: OC347034

Cash Flow Statement
For the year to 31 December 2019

	Notes	2019 £	2018 £
Net cash inflow from operating activities and returns on investments	10	3,954,958	3,352,000
Cash flows from investing activities			
Investments made	7	(533,766)	(1,027,371)
Proceeds received from sale of investments		39,914	33,189
Net cash inflow before financing and liquid resource management		3,461,106	2,357,818
Cash flows from financing activities			
Loan commitments drawn down		491,000	828,000
Movement in capital contributions repaid to Advent LS II LP		15	-
Movement in capital contribution made to ALS III Carry & Co-invest LP		(150)	-
Payments to Members		(4,554,816)	(3,247,556)
Distributions to Investing Members		(39,914)	-
Net decrease in cash and cash equivalents		(642,759)	(61,738)
Cash and cash equivalents at 1 January 2019		828,175	889,913
Cash and cash equivalents at 31 December 2019		185,416	828,175

The notes on pages 14 to 27 form part of these accounts.

Reconciliation of Movement in Members' Interests at 31 December 2019

Members' Interests

	Members' Other Interests		Total	Loans and other debts due to members	Total 2019
	Members' Capital (classified as equity)	Other reserves			
	£	£	£	£	£
Balance at 1 January 2019	15,000	-	15,000	233,247	248,247
Members' remuneration charged as an expense	-	-	-	4,387,194	4,387,194
Members' interests after profit for the year	15,000	-	15,000	4,620,441	4,635,441
Other divisions of profit	-	-	-	-	-
Capital contribution in ALS III Carry and Co-invest	-	-	-	(150)	(150)
Repayment of capital in Advent LS II LP	-	-	-	15	15
Drawings	-	-	-	(4,554,816)	(4,554,816)
Balance at 31 December 2019	15,000	-	15,000	65,490	80,490

	Members' Other Interests		Total	Loans and other debts due to members	Total 2019
	Members' Capital (classified as equity)	Other reserves			
	£	£	£	£	£
Balance at 1 January 2019	22	(29,424)	(29,402)	5,876,108	5,846,706
Profit for the financial period available for discretionary division among members	-	(168,695)	(168,695)	-	(168,695)
Members' interests after profit for the year	22	(198,119)	(198,097)	5,876,108	5,678,011
Other divisions of profit	-	198,119	198,119	(198,119)	-
Introduced by members	-	-	-	491,000	491,000
Distributions to members during the year	-	-	-	(39,914)	(39,914)
Balance at 31 December 2019	22	-	22	6,129,075	6,129,097

Total Interests

	Members' Other Interests		Total	Loans and other debts due to members	Total 2019
	Members' Capital (classified as equity)	Other reserves			
	£	£	£	£	£
Balance at 1 January 2019	15,022	(29,424)	(14,402)	6,109,355	6,094,953
Members' remuneration charged as an expense	-	-	-	4,387,194	4,387,194
Profit for the financial period available for discretionary division among members	-	(168,695)	168,695	-	(168,695)
Members' interests after profit for the year	15,022	(198,119)	(183,097)	10,496,549	10,313,452
Other divisions of profit	-	198,119	198,119	(198,119)	-
Introduced by members	-	-	-	491,000	491,000
Reallocation of previously recognised gains to unallocated gain	-	-	-	-	-
Unallocated realised gains and losses	-	-	-	-	-
Distributions to members during the year	-	-	-	(39,914)	(39,914)
Capital contribution in ALS III Carry and Co-invest	-	-	-	(150)	(150)
Repayment of capital in Advent LS II LP	-	-	-	15	15
Drawings	-	-	-	(4,554,816)	(4,554,816)
Balance at 31 December 2019	15,022	-	15,022	6,194,565	6,209,587
Net unallocated unrealised gains and losses	-	-	-	-	5,752,059
Total Capital and reserves					11,961,646

Net unallocated unrealised gains and losses will be allocated to Investing Members upon realisation of investments in Advent Life Sciences Fund I and Advent Life Sciences Fund II.

Reconciliation of Movement in Members' Interests at 31 December 2018

Members' Interests

	Members' Other Interests		Total	Loans and other debts due to members	Total 2018
	Members' Capital (classified as equity)	Other reserves			
	£	£	£	£	£
Balance at 1 January 2018	15,000	-	15,000	190,278	205,278
Members' remuneration charged as an expense	-	-	-	3,290,525	3,290,525
Members' interests after profit for the year	15,000	-	15,000	3,480,803	3,495,803
Drawings	-	-	-	(3,247,556)	(3,247,556)
Balance at 31 December 2018	15,000	-	15,000	233,247	248,247

	Members' Other Interests		Total	Loans and other debts due to members	Total 2018
	Members' Capital (classified as equity)	Other reserves			
	£	£	£	£	£
Balance at 1 January 2018	22	-	22	5,045,846	5,045,868
Profit for the financial period available for discretionary division among members	-	2,262	2,262	-	2,262
Members' interests after profit for the year	22	2,262	2,284	5,045,846	5,048,130
Other divisions of profit	-	(2,262)	(2,262)	2,262	-
Introduced by members	-	-	-	828,000	828,000
Reallocation of previously recognised gains to unallocated gains	-	(29,424)	(29,424)	-	(29,424)
Balance at 31 December 2018	22	(29,424)	(29,402)	5,876,108	5,846,706

Total Interests

	Members' Other Interests		Total	Loans and other debts due to members	Total 2018
	Members' Capital (classified as equity)	Other reserves			
	£	£	£	£	£
Balance at 1 January 2018	15,022	-	15,022	5,236,124	5,251,146
Members' remuneration charged as an expense	-	-	-	3,290,525	3,290,525
Profit for the financial period available for discretionary division among members	-	2,262	2,262	-	2,262
Members' interests after profit for the year	15,022	2,262	17,284	8,526,649	8,543,933
Other divisions of profit	-	(2,262)	(2,262)	2,262	-
Introduced by members	-	-	-	828,000	828,000
Reallocation of previously recognised gains to unallocated	-	(29,424)	(29,424)	-	(29,424)
Unallocated realised gains and losses	-	-	-	-	-
Drawings	-	-	-	(3,247,556)	(3,247,556)
Balance at 31 December 2018	15,022	(29,424)	(14,402)	6,109,355	6,094,953

Notes to the Accounts

1a. Partnership Agreement

Under the terms of the Partnership Agreements, the first charge on the net income of the Funds in any accounting year shall be the General Partner's Profit Share. The profit share shall be equal to 2.25% per annum of the total Funds commitments (less any expenses incurred by the Funds on behalf of the LLP in accordance with the Partnership Agreements) until the earlier of the 5th anniversary following the first draw down date, i.e. until 2 February 2016 for ALSF I and 27 March 2020 for ALSF II or the date the General Partner, with the approval of the Investor Committee gives notice to all the Investors that the Investment Period has ended.

The General Partner declared the investment period for ALSF I as closed on the 10 March 2015. From this date the profit share for ALSF I was reduced to 2.25% per annum of the funds invested by ALSF I plus utilised commitments as reduced by the cost of investments realised or permanently written off. The LLP shall be entitled to draw down profit share quarterly in advance.

The General Partner declared the investment period for ALSF II as closed on the 28 March 2019. From this date the profit share for ALSF II was reduced to 2.25% per annum of the funds invested by ALSF I plus utilised commitments as reduced by the cost of investments realised or permanently written off. The profit share will be restricted to £2,700,000 per annum and the LLP shall be entitled to draw down profit share quarterly in advance.

The payment of the General Partner's Profit Share will be made out of net income and capital gains from the Funds unless these are insufficient, in which case, until there are sufficient net income and capital gains to satisfy the General Partner's Profit Share, the Funds will advance to the LLP on an ongoing, interest-free basis, sums equivalent to the General Partner's Profit Share. Sums advanced are not recoverable from the LLP other than by allocation of net income and capital gains.

The General Partner's Profit Share is treated as income in accordance with Financial Reporting Standard 102.

1b. Management Agreement

Under the terms of the Management Agreement between the LLP and ALS III GP LLP, acting as the General Partner of ALSF III, Management fees will be received from ALS III GP LLP as remuneration for (i) undertaking portfolio management and risk management with respect to ALSF III and (ii) managing and operating ALSF III.

ALS III GP LLP has given consent for the Management fee to be paid by the Partnership directly to the LLP and this shall reduce the General Partner Share payable for that accounting period, provided that the General Partner's Share shall not be reduced below zero.

In any accounting period, the fee payable by ALSF III to the LLP shall not exceed an amount equal to the difference between (i) the General Partner's Share for such accounting period and (ii) the aggregate amounts offset against the General Partner's Share in that accounting period.

On 3 December 2019 the LLP also signed a Management Agreement with Advent Life Sciences GP LLP and therefore from 1 January 2020 the LLP will receive a Management fee from ALSF I and ALSF II in accordance to this agreement which hold the same terms as its Management agreement with ALSF III.

Notes to the Accounts (continued)

2. Accounting policies

a) Basis of preparation

Advent Life Sciences LLP is a Limited Liability Partnership and domiciled in the UK.

These LLP accounts were prepared in accordance with Financial Reporting Standard 102 ("FRS 102"), which is the Financial Reporting Standard applicable in the UK and Republic of Ireland. The accounts also comply with the requirements of the Statement of Recommended Practice, Accounting by Limited Liability Partnerships. The presentation currency of these accounts is sterling.

b) Going concern

After reviewing the Partnership's performance projections, the Members are satisfied that the Partnership has adequate access to resources to enable it to meet its obligations and to continue in operational existence for the foreseeable future.

The Members have also considered the impact of the emergence and spread of COVID-19 and potential implications on future partnership operations. Whilst there are significant wider market uncertainties which may impact portfolio company investments and fund investors, the Members do not believe this will significantly impact the liquidity of the partnership over the next 12 months. For this reason, the Members have adopted the going concern basis in preparing these financial statements.

c) Consolidation

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to the preparation of accounts.

The LLP accounts were prepared using the small entity consolidation exemption by satisfying the following two conditions:

- I. Annual turnover must be not more than £10.2 million
- II. The average number of employees must be not more than 50

Therefore in accordance with Section 399 of the Companies Act 2006 the LLP is not required to prepare consolidated accounts.

d) Financial instruments

Recognition

The LLP recognises financial assets on the date it becomes a party to the contractual provisions of the instruments.

Measurement

Financial instruments are measured on acquisition at fair value. Transaction costs that are directly attributable to the acquisition of the financial asset are expensed immediately.

Subsequent to initial recognition, all instruments are measured at fair value with changes in their fair value recognised in the Profit and loss account.

Notes to the Accounts (continued)

2. Accounting policies (continued)

Fair Value Measurement Principles

Unquoted investments

For investments where it is not practical to estimate the fair value by future earnings or cash flows, or by the probability and financial impact of the success of the company's development activities, the investment is valued on the basis of a recent material transaction in which an arms-length investment is made into the business and considering liquidation preference arrangements and any accrued dividends or interest due. In the absence of such a transaction, the fair value of the investment is considered to equate to the carrying cost. A provision or uplift will be taken to reflect any impairment to the investment that may have occurred in the intervening period or a significant event in the market or the investment indicates there has been a change in the fair value.

For investments in start-up or early-stage businesses, it may be considered whether the investments cost is the most appropriate fair value where it is not practical to estimate the fair value by future earnings or cash flows and where there has been no recent material transaction in which an arms-length investment is made into the business. A provision or uplift may subsequently be taken where required.

For investments in more established businesses, in the absence of a valuation based on a material third-party transaction, investments in respect of which at least a year has elapsed since the investment was made are normally valued on an earnings basis, by the application of the earnings/revenue multiple methodology to the maintainable earnings of the company.

Quoted investments

Quoted instruments are valued based on their quoted market prices at the balance sheet date, without any deductions for future selling costs, at current bid prices where available.

Investments denominated in foreign currencies

The carrying values of investments denominated in foreign currencies are translated to sterling at the exchange rates ruling at the balance sheet date.

d) Financial instruments (continued)

Derecognition

The LLP derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires.

e) Income and expenses

Turnover comprises of amounts received from the Funds, of which the LLP was General Partner during the year and ALSF III, of which the LLP was Manager of during the year. These amounts are included in the Statement of Comprehensive Income in accordance with the contracted dates of receipt and other fees which are recognised on an accruals basis. Income is shown exclusive of value added tax primarily within the UK.

Notes to the Accounts (continued)

2. Accounting policies (continued)

Dividends receivable from equity shares are brought into account on the ex-dividend date or when no ex-dividend date is quoted, when the right to receive payment is established.

Interest income on shareholder loan stock is recognised on an accruals basis, this is shown net of provisions where there are doubts over recoverability.

Bank interest receivable and expenses are recognised on an accruals basis.

f) Foreign exchange

Foreign currency transactions are recorded when they do not occur in the functional currency of the Partnership (sterling), by applying a spot exchange rate between the foreign currency amount and sterling on the date of the transaction.

At each balance sheet date:

- (i) foreign currency monetary items are translated into sterling using the exchange rate at balance sheet date;
- (ii) non-monetary items that are measured in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction; and
- (iii) non-monetary items that are measured in a foreign currency at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they initially recognised are recognised in the Statement of Comprehensive Income in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in the Statement of Comprehensive Income, any exchange component of that gain or loss is also recognised in the Statement of Comprehensive Income.

g) Members capital

Based on the conditions of repayment of members' capital set out in section 15.4 of the partnership deed, members' capital is classified as equity in accordance with FRS 102. Repayment will only be made in the following circumstances:

- If the General Partners by Resolution so agree, provided that such repayment would not cause the LLP to have aggregate Capital Contributions of less than the Regulatory Capital Requirement;
- on the winding up of the LLP; or
- if a Member ceases to be a Member and either such repayments would not cause the LLP to have aggregate Capital Contributions of less than the Regulatory Capital Requirement or one or more other Members immediately contributes further capital in an aggregate amount equal to or greater than the shortfall;
- if the FSA grants a waiver to the LLP permitting the return of such capital.

Notes to the Accounts (continued)

2. Accounting policies (continued)

- upon the LLP ceasing to be authorised by the FSA or no longer holding a permission under Part IV of FSMA; or
- If the FCA grants a waiver to the LLP permitting the return of such capital.

In the event of the winding up of the LLP, amounts related to Investing Members and other Members will be treated separately. Debts due to Investing Members rank *pari passu* with other creditors specifically related to Investing Members, and debts due to other Members rank *pari passu* with other creditors specifically related to other Members.

h) Investments in subsidiaries

Investments in subsidiaries are included at cost less provision for impairment.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the LLP's cash management are included as a component of cash and cash equivalents in the Statement of Cash Flows.

j) Taxation

Income tax, being the individual liability of each Member, is not provided for in the accounts of the LLP.

k) Members remuneration charged as an expense

The LLP agreement provides that fixed amounts, determined for each member, be paid to members irrespective of the profits of the LLP. These amounts are included in the Statement of Comprehensive Income after arriving at profit for the period before members' profit share.

A member's share in the profit for the period is accounted for as an allocation of profits.

3. Turnover

The payment of the General Partner's Share from the Funds will be made out of net income and capital gains unless these are insufficient, in which case, until there are sufficient net income and capital gains to satisfy the General Partner's Share, the LLP will receive from the Funds on an ongoing, interest-free basis, sums equivalent to the General Partner's Profit Share. Sums advanced are not recoverable by the Funds other than by allocation of net income and capital gains.

The General Partner's Share has been calculated from 2 February 2011 for ALSF I and 27 March 2015 for ALSF II, being the date of the first drawdown from investors.

The Management fee has been calculated from 28 March 2019 for ALSF III, being the Commencement date of the Fund.

Notes to the Accounts (continued)

3. Turnover (continued)

	2019 £	2018 £
General Partner's profit share received from: Advent Life Sciences Fund I and Advent Life Sciences Fund II	3,774,065	3,290,748
Management fee received from: Advent Life Sciences Fund III	1,560,042	-
Amounts retained by the Partnership	5,334,107	3,290,748

4. Investments in Subsidiaries

Investments in subsidiaries are included at cost less provision for impairment.

	2019 £	2018 £
Cost and net book value:		
At 1 January 2019	1	1
Additions	-	-
At 31 December 2019	1	1

5. Related Parties

The related undertakings of the LLP at the end of the year are:

<u>Name</u>	<u>Registered Address</u>	<u>Net Assets</u> £	<u>Net Income</u> £	<u>Ownership</u> %
Advent LS Services Ltd	158-160 North Gower Street, London, NW1 2ND	76,901	-	100
Advent Life Sciences Fund I LP	158-160 North Gower Street, London, NW1 2ND	172,416,000	(54,000)	-
Advent Life Sciences Fund II LP	158-160 North Gower Street, London, NW1 2ND	120,986,000	(725,000)	-
Advent Life Sciences Fund III LP	158-160 North Gower Street, London, NW1 2ND	6,861,000	(144,000)	-
ALS III Carry and Co-invest LP	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ	268,000	(32,000)	-

Advent Life Sciences LLP controls but does not own Advent Life Sciences Fund I LP and Advent Life Sciences Fund II LP acting in its capacity as the General Partner until 3 December 2019 when its role was changed to Manager for the Funds.

Advent Life Sciences LLP is also the Manager of Advent Life Sciences Fund III LP. During the year the LLP has received management fees of £1,560,042.

Notes to the Accounts (continued)

6. Investments

Advent Life Sciences Fund I LP

	Unquoted £	Quoted £	Total £
Cost			
At 1 January 2019	2,886,923	284,578	3,171,501
Acquisitions	86,222	-	86,222
Realisations	(420,984)	-	(420,984)
At 31 December 2019	2,552,161	284,578	2,836,739
Unrealised Gains			
At 1 January 2019	1,552,468	-	1,552,468
Realised in year	-	-	-
Movement in year	3,468,583	-	3,468,583
At 31 December 2019	5,021,051	-	5,021,051
Unrealised Losses			
At 1 January 2019	(517,211)	(254,691)	(771,902)
Realised in year	421,115	-	421,115
Movement in year	(27,040)	82,528	55,488
At 31 December 2019	(123,136)	(172,163)	(295,299)
Fair Value			
At 1 January 2019	3,922,180	29,887	3,952,068
At 31 December 2019	7,450,076	112,415	7,562,491

Notes to the Accounts (continued)

6. Investments (continued)

Advent Life Sciences Fund II LP

	Unquoted £	Quoted £	Total £
Cost			
At 1 January 2019	1,649,862	873,211	2,523,073
Acquisitions	447,412	-	447,412
Realisations	-	(70,195)	(70,195)
At 31 December 2019	2,097,274	803,016	2,900,290
Unrealised Gains			
At 1 January 2019	636,665	409,719	1,046,384
Realised in year	-	(102,772)	(102,772)
Movement in year	206,276	394,562	600,838
At 31 December 2019	842,941	701,509	1,544,450
Unrealised Losses			
At 1 January 2019	(38,114)	(374,490)	(412,604)
Movement in year	(155,285)	49,651	(105,634)
At 31 December 2019	(193,399)	(324,839)	(518,238)
Fair Value			
At 1 January 2019	2,248,413	908,440	3,156,853
At 31 December 2019	2,746,816	1,179,686	3,926,502

Notes to the Accounts (continued)

6. Investments (continued)

Total

	Unquoted £	Quoted £	Total £
Cost			
At 1 January 2019	4,536,785	1,157,789	5,694,574
Acquisitions	533,634	-	533,634
Realisations	(420,984)	(70,195)	(491,179)
At 31 December 2019	4,649,435	1,087,594	5,737,029
Unrealised Gains			
At 1 January 2019	2,189,133	409,719	2,598,852
Realised in year	-	(102,772)	(102,772)
Movement in year	3,674,859	394,562	4,069,421
At 31 December 2019	5,863,992	701,509	6,565,501
Unrealised Losses			
At 1 January 2019	(555,325)	(629,181)	(1,184,506)
Realised in year	421,115	-	421,115
Movement in year	(182,325)	132,179	(50,146)
At 31 December 2019	(316,535)	(497,002)	(813,537)
Fair Value			
At 1 January 2019	6,170,593	938,327	7,108,921
At 31 December 2019	10,196,892	1,292,101	11,488,993

Notes to the Accounts (continued)

6a. Analysis of investments as at 31 December 2019

Advent Life Sciences Fund I LP

	Holding %	Cost £000's	Unrealised Gain £000's	(Loss) £000's	Valuation £000's
Acutus Medical Inc	0.3%	564	364	-	928
Aravive Inc	0.1%	285	-	(172)	113
Aura Biosciences Inc	0.4%	381	169	-	550
CalciCo Therapeutics Ltd	1.8%	135	-	(123)	12
Capella Bioscience Ltd	1.4%	185	360	-	545
F2G Ltd	0.8%	409	20	-	429
GMP Orphan SA	1.7%	313	3,096	-	3,409
KaNDy Therapeutics Ltd	0.9%	193	958	-	1,151
Levicept Ltd	0.8%	190	-	-	190
Nerre Therapeutics Ltd	0.9%	182	54	-	236
Total		2,837	5,021	(295)	7,563

Notes to the Accounts (continued)

6b. Analysis of investments as at 31 December 2019 (continued)

Advent Life Sciences Fund II LP

	Holding %	Cost £000's	Unrealised Gain £000's	(Loss) £000's	Valuation £000's
Agenus Inc	0.1%	221	-	(54)	167
Aleta Biotherapeutics Inc	2.6%	309	-	(6)	303
Alpha Anomeric SAS	1.1%	46	-	(2)	44
Amphista Therapeutics Ltd	1.6%	112	-	-	112
Arrakis Therapeutics Inc	0.5%	385	127	-	512
Artax Biopharma Inc	1.1%	143	6	-	149
Axonics Modulation Tech Inc	0.2%	210	701	-	911
Iterum Therapeutics Ltd	0.2%	372	-	(271)	101
Zikani Pharmaceuticals Inc	0.5%	246	-	(123)	123
Moximed Inc	1.1%	280	-	(21)	260
Nalu Medical Inc	0.7%	318	710	-	1,027
Ventus Medical Ltd	1.7%	137	-	-	137
Tridek-One Therapeutics	0.9%	35	-	(1)	34
Pheno Therapeutics	1.4%	34	-	-	34
Advent Evaluation		52	-	(40)	12
Total		2,900	1,544	(518)	3,926

Notes to the Accounts (continued)

7. Debtors

	2019 £	2018 £
Escrow payment relating to the sale of CardiAQ	-	33,099
Amounts owed by Investing Members	-	18
Amounts owed by Funds	1,079	-
Amounts owed by related parties	133,294	-
Other debtors	58,265	-
Prepayments	19,978	-
Sale proceeds relating to sale of Axonics	283,144	-
	495,761	33,117

8. Creditors

	2019 £	2018 £
Amounts owed to Funds	8,047	427,721
Amounts owed to Related Parties	11	1
Amounts owed to Investing Members	32	-
Accruals	32,100	-
Trade creditors	168,335	-
	208,525	427,722

9. Partners' Commitments

Following the Final Closing of Advent Life Sciences Fund I on 21 June 2012, the Investing Members through the LLP committed total funds of £4,100,000. As at 31 December 2019 £3,731,000 has been drawn down.

Following the Final Closing of Advent Life Sciences Fund II on 27 October 2014, the Investing Members through the LLP committed total funds of £5,000,000. As at 31 December 2019 £3,050,000 has been drawn down.

The remaining undrawn commitments of the Investing Members to the LLP may be drawn down by the LLP giving ten business days' written notice.

10. Cash flow from operating activities and returns on investment

	2019 £	2018 £
Profit for the year before members' remuneration and profit share	8,523,020	1,949,424
(Increase)/Decrease in debtors	(212,599)	3,354
(Decrease)/Increase in creditors	(219,197)	55,859
Gross realised Losses and gains on investments	201,355	(3,675)
(Decrease)/Increase in unallocated unrealised losses and gain	(4,337,621)	1,347,038
	3,954,958	3,352,000

Notes to the Accounts (continued)

11. Co-investment Agreement

The LLP has entered into a co-investment agreement with ALSF I. The co-investment agreement requires that the LLP and ALSF I shall be entitled and bound to co-invest on the same terms and conditions and in proportion to their respective commitments.

The LLP has entered into a co-investment agreement with ALSF II. The co-investment agreement requires that the LLP and ALSF II shall be entitled and bound to co-invest on the same terms and conditions and in proportion to their respective commitments.

12. Related Parties

The LLP generated income of £3,774,065 (2018: £3,290,748) during the year through its role as General Partner of ALSF I and ALSF II. At the year end the amount payable to the Funds was £8,047 (2018: £427,741). On the 3rd December 2019, the LLP ceased to be the General Partner of ALSF I and ALSF II and became the Manager of the Funds. The LLP generated £nil income during the year through its role as manager of the Funds.

The LLP also generated income of £1,560,042 (2018: £nil) during the year through its role as Manager of ALSF III. At the year end the amount payable by ALSF III was £1,079 (2018: £nil).

During the year the LLP became a member of Advent Life Sciences GP LLP, ALS III GP LLP and ALS III Carry and Co-invest GP LLP. Advent Life Sciences GP LLP is the General Partner of ALSF I, ALSF II and Advent Life Sciences II Co-invest LP. ALS III GP LLP is the General Partner of ALSF III and ALS III Carry and Co-invest GP LLP is the General Partner of ALS III Carry and Co-invest LP.

The LLP acts as the Manager of ALSF I, ALSF II, ALSF III and ALS III Carry and Co-Invest LP.

From 8 April 2019 the LLP committed £850,000 as a Limited Partner investing in ALS III Carry and Co-Invest LP.

During the year the Funds paid a service fee of £380,000 (2018: £515,000) and the LLP paid £380,000 (2018: £nil) to Advent LS Services Limited for office services supplied by the Limited Company.

The Partnership is a Member of the same VAT group as Advent LS Services Ltd. At the period end Advent LS Services Ltd owed the Partnership £8,000 for VAT collected on its behalf.

Notes to the Accounts (continued)

13. Reconciliation of Movement in Members' Interests

	2019 £	2018 £
Opening Members interests including unallocated unrealised gains and losses	7,542,491	8,012,623
Profit/(Loss) for the year available for discretionary distribution among members	4,135,826	(1,341,101)
Allocated profits not yet paid to Members	(167,622)	42,969
Loan commitments and capital contributions drawn down	491,000	828,000
Capital contributions made to ALS III Carry & Co-invest	(150)	-
Capital contribution repaid to ALSF II	15	-
Distributions to Investing Members	(39,914)	-
Closing Members interests including unallocated unrealised gains and losses	11,961,646	7,542,491

14. Post balance sheet events

From 1 January 2020 to 26 March 2020, Advent Life Sciences LLP invested a total of £71,857 into Levicept Ltd, Ventus Medical Ltd and Iterum Therapeutics Inc.

In early 2020, the existence of a new coronavirus (COVID-19) was confirmed and since this time COVID-19 has spread across China and to a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The General Partner considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the fund or to provide a quantitative estimate of this impact.