

# **Advent Life Sciences LLP**

## **Report and Accounts**

**For the year ended  
31 December 2017**

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

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|   |       |
|---|-------|
| Members' Report.....  | 2-5   |
| Statement of Members' Responsibilities of the Members' Report and the Accounts..... | 6     |
| Independent Auditor's Report to the Members of Advent Life Sciences LLP.....        | 7-8   |
| Income Statement .....  | 9     |
| Statement of Financial Position .....   | 10    |
| Statement of Cash Flows .....   | 11    |
| Reconciliation of Movement in Members' Interests .....                              | 12-13 |
| Notes to the Accounts .....   | 14-25 |

## **Members' Report**

The Members present their report and accounts for the year ended 31 December 2017.

### **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 regulated by the Financial Conduct Authority.

The LLP's principal activities are venture capital investing and 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"). There have not been any 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 2017 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 is the General Partner of ALSF I and ALSF II and also holds and benefits from investment as an investor, alongside both Funds. The LLP is subject to a co-investment agreement with ALSF I and ALSF II, as described in Note 12 to the accounts.

ALSF I held its final closing on 21 June 2012 and as at 31 December 2017 the total commitments were £101,300,000. With the consent of the Limited Partners, ALSF I was re-opened 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 2017 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.

### **Post balance sheet events**

From 1 January 2018 to 19 March 2018, Advent Life Sciences LLP invested a total of £351,245 in the following portfolio companies: Capella Biosciences Ltd, Arrakis Inc, Iterum Therapeutics Ltd, Alpha Anomeric and Amphista Therapeutics Ltd.

### **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 16.3 of the Limited Liability Partnership Agreement ("the Partnership Agreement") dated 8 July 2009 as amended and restated from time to time.

### Review of the year ended 31 December 2017

#### New investments

The LLP made the following new investments during the year:

| Investee Company                     | Date of Completion | Invested Cost<br>£ | Investment type      |
|--------------------------------------|--------------------|--------------------|----------------------|
| Aura Biosciences Inc                 | 06 January 2017    | 17,450             | Follow on investment |
| Vestagen Protective Technologies Inc | 26 January 2017    | 11,335             | Follow on investment |
| GMP Orphan SA                        | 09 February 2017   | 17,349             | Follow on investment |
| Vestagen Protective Technologies Inc | 28 February 2017   | 9,182              | Follow on investment |
| Aura Biosciences Inc                 | 08 March 2017      | 16,347             | Follow on investment |
| Vestagen Protective Technologies Inc | 31 March 2017      | 59,321             | Follow on investment |
| GMP Orphan SA                        | 05 July 2017       | 26,684             | Follow on investment |
| Levicept Ltd                         | 19 July 2017       | 40,470             | Follow on investment |
| Nerre Therapeutics Ltd               | 30 August 2017     | 74,066             | Follow on investment |
| F2G Ltd                              | 03 October 2017    | 14,166             | Follow on investment |
| Aura Biosciences Inc                 | 17 October 2017    | 23,268             | Follow on investment |
| Calcico Therapeutics Ltd             | 24 November 2017   | 40,474             | Follow on investment |
| GMP Orphan SA                        | 11 December 2017   | 44,704             | Follow on investment |
| Aura Biosciences Inc                 | 20 December 2017   | 51,453             | Follow on investment |
| Arrakis Therapeutics Inc             | 10 February 2017   | 65,168             | Follow on Investment |
| Aleta Biotherapeutics Inc            | 14 March 2017      | 35,174             | Follow on Investment |
| Moximed Inc                          | 14 March 2017      | 281,483            | New Investment       |
| Axonics Modulations Inc              | 28 April 2017      | 83,778             | Follow on Investment |
| Iterum Therapeutics Ltd              | 18 May 2017        | 186,384            | New Investment       |
| Advent Evaluation                    | 06 June 2017       | 6,874              | Follow on Investment |
| Artax Biopharma Inc                  | 03 August 2017     | 36,453             | Follow on Investment |
| Advent Evaluation                    | 25 August 2017     | 25,778             | Follow on Investment |
| Advent Evaluation                    | 29 August 2017     | 1                  | Follow on Investment |
| Aleta Biotherapeutics                | 30 November 2017   | 2,580              | Follow on Investment |
| Aleta Biotherapeutics                | 04 December 2017   | 35,800             | Follow on Investment |
|                                      |                    | <b>1,205,742</b>   |                      |

## **Members' Report (continued)**

### ***Realisations***

The proceeds received during the year related to the partial realisation of the Fund's holding in Versartis Inc. The Fund also realised its holding in Aperiam Medical Inc for a nominal consideration.

### ***Valuation of investments***

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

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 2017 (2016: £15,000).

The Investing Members provided capital contributions totalling £22 as at 31 December 2017 (2016: £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 2017, 18% (2016: 30%) of total loan commitments in ALSF I and 58% (2016: 76%) of total loan commitments in ALSF II remain undrawn.

### ***Amounts attributable to the Members***

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 1, 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 2017, this amounted to £3,124,040 (2016: £3,165,273). In addition to this, other expenses, net of administrative expenses of £2,978 have been allocated to the Members in the year ended 31 December 2017 (2016: £1,569).

### ***Amounts attributable to the Investing Partners***

The excess of expenses over income attributable to the Investing Members for the year was £617 (2016: £304), which has been transferred to the partners accounts. Capital gains of £199,795 (2016: losses: £41,150) have been allocated to the Investing Members capital accounts.

### ***Members***

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

M.S.A. Malik

R.B. Parekh

## **Members' Report (continued)**

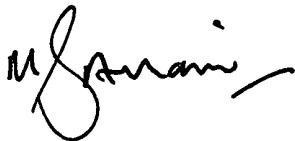
### **Disclosure of information to auditors**

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 19 March 2018.

A handwritten signature in black ink, appearing to read 'M.S.A Malik', with a long horizontal stroke extending to the right.

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 2017, which comprise the Income Statement, Statement of Financial Position, Statement of Cash Flows 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 2017 and of its 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.

### **Going concern**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Other information**

The members are responsible for the other information, which comprises the Members' Report and 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, 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; or

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



## **Independent Auditor's report to the Members of Advent Life Sciences LLP (continued)**

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.

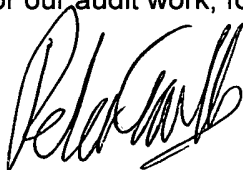
### **Auditor's responsibilities**

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](http://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.



**Peter Crabb (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

**Chartered Accountants**

**15 Canada Square**

**London**

**E14 5GL**

**19 March 2018**

**Income Statement**  
**For the year ended 31 December 2017**

|   | Notes | 2017<br>£        | 2016<br>£        |
|---|-------|------------------|------------------|
| Income  | 3     | 3,214,040        | 3,165,273        |
| Operating expenses  |       | (3,386)          | (3,116)          |
| <b>Operating Profit</b>   |       | <b>3,210,654</b> | <b>3,162,157</b> |
| Bank interest receivable  |       | 408              | 1,547            |
| Gross realised gains/ (losses) on disposal  |       | 199,795          | (41,150)         |
| Movement in unrealised gains and losses   | 7     | 911,485          | 1,094,939        |
| <b>Profit for the financial year before members' remuneration and profit shares</b>     |       | <b>4,322,342</b> | <b>4,217,493</b> |
| Members' remuneration charged as an expense   |       | (3,104,836)      | (3,025,656)      |
| <b>Profit for the financial year available for discretionary division among members</b> |       | <b>1,217,506</b> | <b>1,191,837</b> |
| <b>Allocated as follows:</b>  |       |                  |                  |
| <b>Income</b>   |       |                  |                  |
| Investing Members   |       | (617)            | (304)            |
| Members   |       | 106,843          | 138,352          |
| <b>Capital</b>  |       |                  |                  |
| Investing Members' realised gains / (losses)  |       | 199,795          | (41,150)         |
| Unallocated unrealised gains and losses   |       | 911,485          | 1,094,939        |
| <b>Total</b>  |       | <b>1,217,506</b> | <b>1,191,837</b> |

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

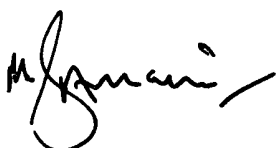
The notes on pages 14 to 25 form part of these accounts.

**Statement of Financial Position  
at 31 December 2017**

|  | Notes | 2017<br>£        | 2016<br>£        |
|--|-------|------------------|------------------|
| <b>Fixed Assets</b>  |       |                  |                  |
| Investments in subsidiaries  | 4     | 1                | 1                |
| Investments  | 7     | 7,461,776        | 5,529,063        |
|  |       | <u>7,461,777</u> | <u>5,529,064</u> |
| <b>Current assets</b>  |       |                  |                  |
| Debtors  | 8     | 32,796           | 32,362           |
| Cash at bank and in hand   |       | 889,913          | 634,342          |
|  |       | <u>922,709</u>   | <u>666,704</u>   |
| <b>Creditors: amounts falling due within one year</b>                      | 9     | <u>(371,863)</u> | <u>(382,386)</u> |
| <b>Net current assets</b>  |       | <u>550,846</u>   | <u>284,318</u>   |
| <b>Net assets attributable to members</b>                                  |       | <u>8,012,623</u> | <u>5,813,382</u> |
| <b>Represented by:</b>   |       |                  |                  |
| Loans and other debts due to members within one year                       |       | 5,236,124        | 3,948,368        |
| <b>Members</b>   |       |                  |                  |
| Members other interests - Other reserves classified as equity under FRS 25 |       | 15,022           | 15,022           |
| <b>Total members' interests</b>  |       | <u>5,251,146</u> | <u>3,963,390</u> |
| Unallocated unrealised gain  |       | 2,761,477        | 1,849,992        |
| <b>Total Capital and reserves</b>  |       | <u>8,012,623</u> | <u>5,813,382</u> |

These accounts have been prepared in accordance with the small limited liability partnerships' regime.

These accounts were approved by the Members on 19 March 2018 and signed on its behalf by:



M.S.A Malik

Designated Member

The notes on pages 14 to 25 form part of these accounts.

Registered Number: OC347034

**Statement of Cash Flows**  
**For the year to 31 December 2017**

|   | Notes | 2017<br>£        | 2016<br>£   |
|---|-------|------------------|-------------|
| <b>Net cash inflow from operating activities and returns on investments</b> | 11    | <b>3,199,077</b> | 3,238,410   |
| <b>Financial Investment</b>   |       |                  |             |
| Investments made  | 7     | (1,205,742)      | (1,103,078) |
| Proceeds received from sale of investments                                  |       | 385,337          | -           |
| <b>Net cash inflow before financing and liquid resource management</b>      |       | <b>2,378,672</b> | 2,135,332   |
| <b>Transactions with Members</b>  |       |                  |             |
| Loan commitments drawn down   |       | 1,392,068        | 933,000     |
| Capital contributions   |       | -                | 1           |
| Movement in capital contributions   |       | -                | (15)        |
| Payments to Members   |       | (3,104,836)      | (3,025,656) |
| Distributions to Members  |       | (25,000)         | -           |
| Distributions to Investing Members  |       | (385,333)        | (21,900)    |
| <b>Change in cash</b>   |       | <b>255,571</b>   | 20,762      |
| Cash and cash equivalents at 1 January 2017                                 |       | 634,342          | 613,580     |
| Cash and cash equivalents at 31 December 2017                               |       | 889,913          | 634,342     |

The notes on pages 14 to 25 form part of these accounts.

## Reconciliation of Movement in Members' Interests at 31 December 2017

### Members' Interests

|  | Members' Other Interests                   |                | Total     | Loans and other debts due to members | Total 2017  |
|--|--|----------------|-----------|--------------------------------------|-------------|
|  | Members' Capital<br>(classified as equity) | Other reserves |           |                                      |             |
|  | £  | £              | £         | £                                    | £           |
| Balance at 1 January 2017  | 15,000                                     | -              | 15,000    | 108,435                              | 123,435     |
| Members' remuneration charged as an expense  | -  | -              | -         | 3,104,836                            | 3,104,836   |
| Profit for the financial period available for discretionary division among members | -  | 106,843        | 106,843   | -                                    | 106,843     |
| Members' interests after profit for the year                                       | 15,000                                     | 106,843        | 121,843   | 3,213,271                            | 3,335,114   |
| Other divisions of profit  | -  | (106,843)      | (106,843) | 106,843                              | -           |
| Drawings   | -  | -              | -         | (3,104,836)                          | (3,104,836) |
| Discretionary distributions to members   | -  | -              | -         | (25,000)                             | (25,000)    |
| Balance at 31 December 2017  | 15,000                                     | -              | 15,000    | 190,278                              | 205,278     |

|  | Members' Other Interests                   |                | Total     | Loans and other debts due to members | Total 2017 |
|--|--|----------------|-----------|--------------------------------------|------------|
|  | Members' Capital<br>(classified as equity) | Other reserves |           |                                      |            |
|  | £  | £              | £         | £                                    | £          |
| Balance at 1 January 2017  | 22   | -              | 22        | 3,839,933                            | 3,839,955  |
| Profit for the financial period available for discretionary division among members | -  | 199,178        | 199,178   | -                                    | 199,178    |
| Members' interests after profit for the year                                       | 22   | 199,178        | 199,200   | 3,839,933                            | 4,039,133  |
| Other divisions of profit  | -  | (199,178)      | (199,178) | 199,178                              | -          |
| Introduced by members  | -  | -              | -         | 1,392,068                            | 1,392,068  |
| Distributions to members during the year   | -  | -              | -         | (385,333)                            | (385,333)  |
| Balance at 31 December 2017  | 22   | -              | 22        | 5,045,846                            | 5,045,868  |

### Total Interests

|  | Members' Other Interests                   |                | Total     | Loans and other debts due to members | Total 2017  |
|--|--|----------------|-----------|--------------------------------------|-------------|
|  | Members' Capital<br>(classified as equity) | Other reserves |           |                                      |             |
|  | £  | £              | £         | £                                    | £           |
| Balance at 1 January 2017  | 15,022                                     | -              | 15,022    | 3,948,368                            | 3,963,390   |
| Members' remuneration charged as an expense  | -  | -              | -         | 3,104,836                            | 3,104,836   |
| Profit for the financial period available for discretionary division among members | -  | 306,021        | 306,021   | -                                    | 306,021     |
| Members' interests after profit for the year                                       | 15,022                                     | 306,021        | 321,043   | 7,053,204                            | 7,374,247   |
| Other divisions of profit  | -  | (306,021)      | (306,021) | 306,021                              | -           |
| Introduced by members  | -  | -              | -         | 1,392,068                            | 1,392,068   |
| Distributions to members during the year   | -  | -              | -         | (385,333)                            | (385,333)   |
| Drawings   | -  | -              | -         | (3,104,836)                          | (3,104,836) |
| Discretionary distributions to members   | -  | -              | -         | (25,000)                             | (25,000)    |
| Balance at 31 December 2017  | 15,022                                     | -              | 15,022    | 5,236,124                            | 5,251,146   |

## Reconciliation of Movement in Members' Interests at 31 December 2016

### Members' Interests

|  | Members' Other Interests                   |                | Total     | Loans and other debts due to members | Total 2016  |
|--|--|----------------|-----------|--------------------------------------|-------------|
|  | Members' Capital<br>(classified as equity) | Other reserves |           |                                      |             |
|  | £  | £              | £         | £                                    | £           |
| Balance at 1 January 2016  | 15,000                                     | -              | 15,000    | (29,902)                             | (14,902)    |
| Members' remuneration charged as an expense  | -  | -              | -         | 3,025,656                            | 3,025,656   |
| Profit for the financial period available for discretionary division among members | -  | 138,352        | 138,352   | -                                    | 138,352     |
| Members' interests after profit for the year                                       | 15,000                                     | 138,352        | 153,352   | 2,995,754                            | 3,149,106   |
| Other divisions of profit  | -  | (138,352)      | (138,352) | 138,352                              | -           |
| Capital contribution in ALSF II  | -  | -              | -         | (15)                                 | (15)        |
| Drawings   | -  | -              | -         | (3,025,656)                          | (3,025,656) |
| Balance at 31 December 2016  | 15,000                                     | -              | 15,000    | 108,435                              | 123,435     |

### Investing Members' Interests

|  | Members' Other Interests                   |                | Total     | Loans and other debts due to members | Total 2016 |
|--|--|----------------|-----------|--------------------------------------|------------|
|  | Members' Capital<br>(classified as equity) | Other reserves |           |                                      |            |
|  | £  | £              | £         | £                                    | £          |
| Balance at 1 January 2016  | 21   | (631,798)      | (631,777) | 3,581,979                            | 2,950,202  |
| Profit for the financial period available for discretionary division among members | -  | (41,454)       | (41,454)  | -                                    | (41,454)   |
| Members' interests after profit for the year                                       | 21   | (673,252)      | (673,231) | 3,581,979                            | 2,908,748  |
| Other divisions of profit  | -  | 673,252        | 673,252   | (673,252)                            | -          |
| Introduced by members  | 1  | -              | 1         | 933,000                              | 933,001    |
| Distributions to members during the year   | -  | -              | -         | (1,794)                              | (1,794)    |
| Balance at 31 December 2016  | 22   | -              | 22        | 3,839,933                            | 3,839,955  |

### Total Interests

|  | Members' Other Interests                   |                | Total     | Loans and other debts due to members | Total 2016  |
|--|--|----------------|-----------|--------------------------------------|-------------|
|  | Members' Capital<br>(classified as equity) | Other reserves |           |                                      |             |
|  | £  | £              | £         | £                                    | £           |
| Balance at 1 January 2016  | 15,021                                     | (631,798)      | (616,777) | 3,552,077                            | 2,935,300   |
| Members' remuneration charged as an expense  | -  | -              | -         | 3,025,656                            | 3,025,656   |
| Profit for the financial period available for discretionary division among members | -  | 96,898         | 96,898    | -                                    | 96,898      |
| Members' interests after profit for the year                                       | 15,021                                     | (534,900)      | (519,879) | 6,577,733                            | 6,057,854   |
| Other divisions of profit  | -  | 534,900        | 534,900   | (534,900)                            | -           |
| Introduced by members  | 1  | -              | 1         | 933,000                              | 933,001     |
| Capital contribution in Advent LS II LP  | -  | -              | -         | (15)                                 | (15)        |
| Drawings and Distributions   | -  | -              | -         | (3,027,450)                          | (3,027,450) |
| Balance at 31 December 2016  | 15,022                                     | -              | 15,022    | 3,948,368                            | 3,963,390   |

## Notes to the Accounts

### 1. Partnership Agreement

Under the terms of the Partnership Agreement, 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 Agreement) 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 is 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 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.

### 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 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and 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 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.

#### c) Consolidation

The LLP accounts were prepared on a small LLP basis 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

Accordingly, the LLP is not required to prepare consolidated accounts.

## **Notes to the Accounts (continued)**

### **2. Accounting policies (continued)**

#### **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 Income Statement.

##### *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. In the absence of such an investment, the fair value of the investment is considered to equate to the carrying valuation as at the previous reporting date unless a provision is deemed appropriate 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 an increase in the fair value.

For investments in start-up or early-stage businesses, where a material transaction involving an independent third party at arm's length takes place, the valuation will normally be based on the transaction price and will take precedence over other methods of valuation until the circumstances change. Where the transaction involves only a corporate investor, particular care is given to the motives of the investor in determining the appropriate valuation policy. If the transaction is deemed to be at arm's length, then the valuation will be based on the transaction price.

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.



## Notes to the Accounts (continued)

### 2. Accounting policies (continued)

#### 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

Income comprises of amounts received from the Funds, of which the LLP is a general partner and are included in the Income Statement 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.

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 accrual 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 occur in the functional currency of the LLP (sterling), by applying to the foreign currency amount the spot exchange rate between that currency and sterling at 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 Income Statement in the period in which they arise.

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

#### 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.

## Notes to the Accounts (continued)

### 2. Accounting policies (continued)

#### h) Fixed assets

Tangible fixed assets less the estimated residual value are written off by equal instalments over their estimated useful lives of 3 years for all categories.

#### i) Investments in subsidiaries

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

#### j) 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 for the purpose only of the Statement of Cash Flows.

#### k) Taxation

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

#### l) Members remuneration

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 income statement 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. Income

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.

|  | 2017<br>£               | 2016<br>£        |
|--|-------------------------|------------------|
| General Partner's profit share received from<br>Advent Life Sciences Fund I and Advent Life Sciences Fund II | <b>3,214,040</b>        | 3,165,273        |
| Amounts retained by the Partnership  | <b><u>3,214,040</u></b> | <u>3,165,273</u> |

## Notes to the Accounts (continued)

### 4. Investments in Subsidiaries

|                                 | 2017<br>£ | 2016<br>£ |
|---------------------------------|-----------|-----------|
| <b>Cost and net book value:</b> |           |           |
| At 1 January 2017               | 1         | 1         |
| Additions                       | -         | -         |
| <b>At 31 December 2017</b>      | <b>1</b>  | <b>1</b>  |

### 5. Related Parties

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

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.

| <u>Name</u>                     | <u>Registered Address</u>                      | <u>Net Assets</u><br>£ | <u>Net Income</u><br>£ | <u>Ownership</u><br>% |
|---------------------------------|--|------------------------|------------------------|-----------------------|
| Advent LS Services Ltd          | 158-160 North Gower Street,<br>London, NW1 2ND | 107,686                | 34,750                 | 100                   |
| Advent Life Sciences Fund I LP  | 158-160 North Gower Street,<br>London, NW1 2ND | 132,118,000            | (72,000)               | -                     |
| Advent Life Sciences Fund II LP | 158-160 North Gower Street,<br>London, NW1 2ND | 64,833,000             | (1,533,000)            | -                     |

### 6. Investments in Related Parties

|  |             |             |
|--|-------------|-------------|
| <b>Advent Life Sciences Fund II LP</b> | <b>2017</b> | <b>2016</b> |
|  | £           | £           |
| <b>Cost and net book value:</b>        |             |             |
| At 1 January 2017                      | -           | 26,800      |
| Additions                              | -           | -           |
| Disposals                              | -           | (26,800)    |
| <b>At 31 December 2017</b>             | <b>-</b>    | <b>-</b>    |

Members bought out the LLP's portion of the investing interest in 2016.

## Notes to the Accounts (continued)

### 7. Investments

#### Advent Life Sciences Fund I LP

##### Investments as Advent Life Science Fund I Co-investment:

|                            | Unquoted<br>£    | Quoted<br>£      | Total<br>£       |
|----------------------------|------------------|------------------|------------------|
| <b>Cost</b>                |                  |                  |                  |
| At 1 January 2017          | 2,145,739        | 398,845          | 2,544,584        |
| Acquisitions               | 446,267          | -                | 446,267          |
| Realisations               | (70,242)         | (114,267)        | (184,509)        |
| <b>At 31 December 2017</b> | <b>2,521,764</b> | <b>284,578</b>   | <b>2,806,342</b> |
| <b>Unrealised Gains</b>    |                  |                  |                  |
| At 1 January 2017          | 1,074,957        | 711,776          | 1,786,733        |
| Realised in year           | -                | (203,673)        | (203,673)        |
| Movement in year           | 1,921,866        | (508,103)        | 1,413,763        |
| <b>At 31 December 2017</b> | <b>2,996,823</b> | <b>-</b>         | <b>2,996,823</b> |
| <b>Unrealised Losses</b>   |                  |                  |                  |
| At 1 January 2017          | (70,230)         | -                | (70,230)         |
| Realised in year           | 70,242           | -                | 70,242           |
| Movement in year           | (200,793)        | (177,935)        | (378,728)        |
| <b>At 31 December 2017</b> | <b>(200,781)</b> | <b>(177,935)</b> | <b>(378,716)</b> |
| <b>Fair Value</b>          |                  |                  |                  |
| At 1 January 2017          | 3,150,466        | 1,110,621        | 4,261,087        |
| <b>At 31 December 2017</b> | <b>5,317,806</b> | <b>106,643</b>   | <b>5,424,449</b> |

## Notes to the Accounts (continued)

### 7. Investments (continued)

#### Advent Life Sciences Fund II LP

##### Investments as Advent Life Science Fund II Co-investment:

|                            | Unquoted<br>£    | Quoted<br>£     | Total<br>£       |
|----------------------------|------------------|-----------------|------------------|
| <b>Cost</b>                |                  |                 |                  |
| At 1 January 2017          | 913,241          | 221,307         | 1,134,548        |
| Acquisitions               | 759,500          | -               | 759,500          |
|                            |                  |                 | -                |
| <b>At 31 December 2017</b> | <b>1,672,741</b> | <b>221,307</b>  | <b>1,894,048</b> |
| <b>Unrealised Gains</b>    |                  |                 |                  |
| At 1 January 2017          | 177,465          | -               | 177,465          |
| Movement in year           | 96,778           | -               | 96,778           |
|                            |                  |                 | -                |
| <b>At 31 December 2017</b> | <b>274,243</b>   | <b>-</b>        | <b>274,243</b>   |
| <b>Unrealised Losses</b>   |                  |                 |                  |
| At 1 January 2017          | (4,988)          | (39,049)        | (44,037)         |
| Movement in year           | (36,378)         | (50,549)        | (86,927)         |
|                            |                  |                 | -                |
| <b>At 31 December 2017</b> | <b>(41,366)</b>  | <b>(89,598)</b> | <b>(130,964)</b> |
| <b>Fair Value</b>          |                  |                 |                  |
| At 1 January 2017          | 1,085,718        | 182,258         | 1,267,976        |
|                            |                  |                 | -                |
| <b>At 31 December 2017</b> | <b>1,905,618</b> | <b>131,709</b>  | <b>2,037,327</b> |

## Notes to the Accounts (continued)

### 7. Investments (continued)

#### Total

|                            | Unquoted<br>£    | Quoted<br>£      | Total<br>£       |
|----------------------------|------------------|------------------|------------------|
| <b>Cost</b>                |                  |                  |                  |
| At 1 January 2017          | 3,058,980        | 620,152          | 3,679,132        |
| Acquisitions               | 1,205,767        | -                | 1,205,767        |
| Realisations               | (70,242)         | (114,267)        | (184,509)        |
| <b>At 31 December 2017</b> | <b>4,194,505</b> | <b>505,885</b>   | <b>4,700,390</b> |
| <b>Unrealised Gains</b>    |                  |                  |                  |
| At 1 January 2017          | 1,252,422        | 711,776          | 1,964,198        |
| Realised in year           | -                | (203,673)        | (203,673)        |
| Movement in year           | 2,018,644        | (508,103)        | 1,510,541        |
| <b>At 31 December 2017</b> | <b>3,271,066</b> | <b>-</b>         | <b>3,271,066</b> |
| <b>Unrealised Losses</b>   |                  |                  |                  |
| At 1 January 2017          | (75,218)         | (39,049)         | (114,267)        |
| Realised in year           | 70,242           | -                | 70,242           |
| Movement in year           | (237,171)        | (228,484)        | (465,655)        |
| <b>At 31 December 2017</b> | <b>(242,147)</b> | <b>(267,533)</b> | <b>(509,680)</b> |
| <b>Fair Value</b>          |                  |                  |                  |
| At 1 January 2017          | 4,236,184        | 1,292,879        | 5,529,063        |
| <b>At 31 December 2017</b> | <b>7,223,424</b> | <b>238,352</b>   | <b>7,461,776</b> |

## Notes to the Accounts (continued)

### 7a. Analysis of investments as at 31 December 2017

#### Advent Life Sciences Fund I LP

|   | Holding<br>% | Cost<br>£000's | Unrealised<br>Gain<br>£000's | (Loss)<br>£000's | Valuation<br>£000's |
|---|--------------|----------------|------------------------------|------------------|---------------------|
| <b>Acutus Medical Inc</b>                   | 0.5%         | 493            | 225                          | -                | 718                 |
| <b>Aura Biosciences Inc</b>                 | 0.5%         | 309            | 104                          | -                | 413                 |
| <b>CalciCo Therapeutics Ltd</b>             | 1.7%         | 168            | 20                           | -                | 188                 |
| <b>Capella Bioscience Ltd</b>               | 1.5%         | 78             | 34                           | -                | 112                 |
| <b>F2G Ltd</b>                              | 0.9%         | 348            | -                            | (3)              | 346                 |
| <b>GMP Orphan SA</b>                        | 1.8%         | 225            | 165                          | -                | 390                 |
| <b>KaNDy Therapeutics Ltd</b>               | 1.1%         | 152            | 2,305                        | -                | 2,457               |
| <b>Levicept Ltd</b>                         | 0.8%         | 175            | 88                           | -                | 263                 |
| <b>Nerre Therapeutics Ltd</b>               | 1.1%         | 152            | 55                           | -                | 207                 |
| <b>Versartis Inc</b>                        | 0.2%         | 285            | -                            | (178)            | 107                 |
| <b>Vestagen Protective Technologies Inc</b> | 1.5%         | 421            | -                            | (198)            | 223                 |
| <b>Total</b>                                |              | <b>2,806</b>   | <b>2,996</b>                 | <b>(379)</b>     | <b>5,424</b>        |

## Notes to the Accounts (continued)

### 7b. Analysis of investments as at 31 December 2017 (continued)

#### Advent Life Sciences Fund II LP

|                                      | Holding<br>% | Cost<br>£000's | Unrealised<br>Gain<br>£000's | (Loss)<br>£000's | Valuation<br>£000's |
|--------------------------------------|--------------|----------------|------------------------------|------------------|---------------------|
| <b>Agenus Inc</b>                    | 0.1%         | 221            | -                            | (89)             | 132                 |
| <b>Aleta Biotherapeutics Inc</b>     | 2.6%         | 129            | -                            | (2)              | 127                 |
| <b>Arrakis Therapeutics Inc</b>      | 1.1%         | 118            | 109                          | -                | 227                 |
| <b>Artax Biopharma Inc</b>           | 0.7%         | 96             | 6                            | -                | 102                 |
| <b>Axonics Modulation Tech Inc</b>   | 0.4%         | 280            | 102                          | -                | 382                 |
| <b>Iterum Therapeutics Ltd</b>       | 0.2%         | 186            | -                            | (8)              | 178                 |
| <b>Macrolide Pharmaceuticals Inc</b> | 0.5%         | 144            | -                            | (4)              | 140                 |
| <b>Moximed Inc</b>                   | 0.3%         | 281            | -                            | (28)             | 254                 |
| <b>Nalu Medical Inc</b>              | 1.0%         | 318            | 57                           | -                | 374                 |
| <b>Project Paradise Ltd</b>          | 48.3%        | 69             | -                            | -                | 69                  |
| <b>Advent Evaluation</b>             |              | 52             | -                            | -                | 52                  |
| <b>Total</b>                         |              | <b>1,894</b>   | <b>274</b>                   | <b>(131)</b>     | <b>2,037</b>        |



## Notes to the Accounts (continued)

### 8. Debtors

|  | 2017          | 2016          |
|--|---------------|---------------|
|  | £             | £             |
| Amounts owed by Investing Members              | 3,372         | 403           |
| Other debtors                                  | -             | 1,507         |
| Escrow payment relating to the sale of CardiAQ | 29,424        | 30,452        |
|  | <u>32,796</u> | <u>32,362</u> |

### 9. Creditors

|                                   | 2017           | 2016           |
|-----------------------------------|----------------|----------------|
|                                   | £              | £              |
| Amounts owed to Funds             | 371,862        | 382,385        |
| Amounts owed to Investing Members | 1              | 1              |
|                                   | <u>371,863</u> | <u>382,386</u> |

### 10. 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 2017 £3,362,000 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 2017 £2,100,000 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.

### 11. Cash flow from operating activities and returns on investment

|   | 2017             | 2016             |
|---|------------------|------------------|
|   | £                | £                |
| Profit for the year before members' remuneration and profit share | 4,322,342        | 4,217,493        |
| Decrease/(Increase) in debtors                                    | (1,462)          | 14,011           |
| (Decrease)/Increase in creditors                                  | (10,523)         | 33,895           |
| Gross realised (Gains) / Loss on investments                      | (199,795)        | 41,150           |
| Increase in unallocated unrealised gain                           | (911,485)        | (1,094,939)      |
| LLP investing interest buy out                                    | -                | 26,800           |
|   | <u>3,199,077</u> | <u>3,238,410</u> |

## Notes to the Accounts (continued)

### 12. 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.

### 13. Related Parties

Advent Life Sciences income of £3,214,040 (2016: £3,165,273) during the year has been generated entirely through its role as General Partner. At the year end the amount payable to the Funds was £371,862 (2016: £382,385).

During the year the Funds paid a service fee of £580,000 (2016: £660,000) to Advent LS Services Limited for office services supplied by the Limited Company.

At the year end the amount receivable from the Investing Members was £3,372 (2016: £403)

### 14. Reconciliation of Movement in Members' Interests

|   | 2017<br>£ | 2016<br>£ |
|---|-----------|-----------|
| Opening Members interests including unallocated unrealised gains and losses | 5,813,382 | 3,690,352 |
| Profit for the year available for discretionary distribution among members  | 1,217,506 | 1,191,837 |
| Loan commitments and capital contributions drawn down                       | 1,392,068 | 933,001   |
| Capital contributions made by Investing Members                             | -         | 1         |
| Capital contribution in ALSF II   | -         | (15)      |
| Distributions to Investing Members  | (385,333) | (1,794)   |
| Discretionary distributions to members                                      | (25,000)  | -         |
| Closing Members interests including unallocated unrealised gains and losses | 8,012,623 | 5,813,382 |