

Clinigen SP Limited

Annual Report and Financial Statements

Year ended 30 June 2019

Company registered number 08588212



Directors and other information

Directors

S Chilton

N Keher (appointed 19 March 2019)

M Abell (resigned 19 March 2019)

Company secretary

A Miller

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Pegasus Business Park

Herald Way

East Midlands

DE74 2UZ

Registered office

Pitcairn House

Crown Square

First Avenue

Centrum 100

Burton-on-Trent

Staffordshire

DE14 2WW

Registered number

08588212

Directors' report

In line with the special provisions relating to small companies within part 15 of the Companies Act 2006, the Company has chosen not to prepare a Strategic report.

The directors present their report and audited financial statements for the year ended 30 June 2019. Clinigen SP Limited ('the Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom. Its company number is 08588212.

Principal activities

Since incorporation on 27 June 2013, the Company has remained dormant, however on 1 April 2019, the Company acquired the licence and rights to market and distribute Proleukin (aldesleukin, recombinant interleukin-2) in the United States from Novartis International AG ('Novartis'). From this date the Company's principal activities have been the sale and distribution of pharmaceutical products.

Business review and likely future developments

On 1 April 2019, the Company acquired the licence and rights to market and distribute Proleukin (aldesleukin, recombinant interleukin-2) in the United States. During the year, the Company generated US\$9,925,000 revenue relating to strategic marketing, sales and logistics services received from Clinigen Inc., a fellow group company, in connection with the distribution of Proleukin in the US. The Company also received sundry income in the form of a rebate relating to the purchase of stock from Novartis. After costs, the Company generated profit before tax of US\$17,694,000 during the year, and at 30 June 2019 had net assets of US\$200,749,000.

Change of functional and presentational currency

As a result of the acquisition of the licence and rights to Proleukin in the United States, the principal revenues, expenditures and cash flows are denominated in US dollars, therefore the Company's functional currency has changed from sterling to the US dollar, effective from 1 April 2019. The presentational currency has also changed to the US dollar accordingly.

Directors

The directors who held office during the year and up to the date of signing the financial statements were:

S Chilton

N Keher (appointed 19 March 2019)

M Abell (resigned 19 March 2019)

Directors' indemnity insurance

During the year and up to the date of signing of this report, the Company, through the Group, maintained liability insurance and third party indemnification provisions (which are a qualifying third party indemnity provision for the purposes of the Companies Act 2006) for its directors and the company secretary.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

Directors' report (continued)

Statement of directors' responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure of information to auditors

In the case of each director in office at the date this report is approved, so far as the director is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



N Keher

Director

29 June 2020

Independent auditors' report to the members of Clinigen SP Limited

Report on the audit of the financial statements

Opinion

In our opinion, Clinigen SP Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 30 June 2019; the Profit and loss account, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Clinigen SP Limited (continued)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Clinigen SP Limited (continued)

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Other matter

The financial statements for the year ended 30 June 2018, forming the corresponding figures of the financial statements for the year ended 30 June 2019, are unaudited.



Paul Norbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
29 June 2020

Profit and loss account
for the year ended 30 June 2019

| | Notes | 2019 US\$000 | 2018 US\$000 |
|---------------------------------------|-------|-----------------|-----------------|
| Revenue | | 9,925 | — |
| Gross profit | | 9,925 | — |
| Administrative expenses | 3 | (2,056) | — |
| Exceptional income | 4 | 11,217 | — |
| Operating profit | | 19,086 | — |
| Interest payable and similar expenses | 6 | (1,392) | — |
| Profit before taxation | | 17,694 | — |
| Tax on profit for the financial year | 7 | (745) | — |
| Profit for the financial year | | 16,949 | — |

All amounts relate to continuing operations.

There were no items relating to components of other comprehensive income.

Balance Sheet
as at 30 June 2019

| | Notes | 2019 US\$000 | 2018 US\$000 |
|--|-------|-----------------|-----------------|
| Assets | | | |
| Fixed assets | | | |
| Intangible assets | 8 | 183,183 | — |
| Current assets | | | |
| Debtors | 9 | 81,198 | — |
| Cash at bank | | 217 | — |
| Total current assets | | 81,415 | — |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 10 | (63,849) | — |
| Total current liabilities | | (63,849) | — |
| Net current assets | | 17,566 | — |
| Total assets less current liabilities | | 200,749 | — |
| Net assets | | 200,749 | — |
| Capital and reserves | | | |
| Called up share capital | 11 | 18,000 | — |
| Share premium | | 165,800 | — |
| Profit and loss account | | 16,949 | — |
| Total shareholders' funds | | 200,749 | — |

Company number: 08588212

The notes on pages 10 to 18 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 29 June 2020 and were signed on its behalf by



N Keher
Director

Statement of changes in equity

for the year ended 30 June 2019

| | Called up share capital (note 11) US\$000 | Share premium US\$000 | Profit and loss account US\$000 | Total shareholders' funds US\$000 |
|---|---|-----------------------------|---------------------------------------|--|
| At 30 June 2017 and 30 June 2018 | - | - | - | - |
| Profit for the financial year | - | - | 16,949 | 16,949 |
| Issue of share capital | 18,000 | 165,800 | - | 183,800 |
| Total contributions to and by owners of the Company, recognised directly in equity | 18,000 | 165,800 | - | 183,800 |
| At 30 June 2019 | 18,000 | 165,800 | 16,949 | 200,749 |

Notes to the financial statements

for the year ended 30 June 2019

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Clinigen SP Limited (the "Company") for the year ended 30 June 2019 were authorised for issue by the board of directors on 29 June 2020 and the balance sheet was signed on the board's behalf by N Keher.

The Company is a subsidiary undertaking of Clinigen Group plc, incorporated and domiciled in the United Kingdom. Clinigen Group plc is the ultimate parent company and controlling party.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, except financial instruments that are measured at revalued amounts or fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The financial statements are presented in US dollars and all values are rounded to the nearest thousand US dollars ("US\$000") except when otherwise stated.

The Company is a wholly owned subsidiary of Clinigen Group plc and is included in its consolidated group financial statements which are publicly available. The Company is therefore exempt from the requirement to prepare consolidated financial statements under the Companies Act 2006. Accordingly, these financial statements present information about the Company as an individual undertaking and not about its group.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ("FRS 100") issued by the Financial Reporting Council. Accordingly, in the year ended 30 June 2017 the Company transitioned from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- (a) Cash flow statement and related notes;
- (b) Comparative period reconciliations for share capital;
- (c) Disclosures in respect of transactions with wholly owned subsidiaries;
- (d) Disclosures in respect of capital management; and
- (e) The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Clinigen Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- (a) Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;

Notes to the financial statements (continued)

for the year ended 30 June 2019

2. Accounting policies (continued)

Basis of preparation (continued)

(b) Certain disclosures required by IFRS 3 'Business combinations' in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and

(c) The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of a trading portfolio or derivatives.

Going concern

On the basis of their assessment of the Company's financial position, including the expected cash flows, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. The directors have included the impact of COVID19 in their assessment on going concern including appropriate sensitivities to the cash flow forecast given the ongoing level of uncertainties. The company has been able to continue trading throughout the period impacted by COVID19 using remote working practices and through careful control of warehousing and logistic operations in order to protect employees. The impact of COVID19 on the Company has been limited to date and the Company therefore continues to adopt the going concern basis of accounting in preparing its financial statements.

Foreign currency translation

The Company's functional currency and presentation currency was changed during the year from sterling to US dollars, effective from 1 April 2019. This change was due to the acquisition of the rights to Proleukin from Novartis which changed the primary economic environment in which the Company operates.

As the change in presentation currency is a change in accounting policy, it has been accounted for retrospectively in accordance with IAS 8, however as the Company has been dormant from incorporation up to the date of the change, there is no material impact on the financial statements. The change in functional currency is treated prospectively and so no restatement is necessary.

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are recognised in the profit and loss account within interest payable and similar charges.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The Company does not apply hedge accounting of foreign exchange risks in its company financial statements.

Intangible assets

Separately acquired trademarks and licences are initially recorded at cost, being the purchase price of the asset, which comprises the purchase price and any directly attributable cost of preparing the asset for its intended use, including the assignment of trademarks in different territories.

The carrying value of trademarks and licences is calculated as cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the trademarks and licences over their estimated useful life of fifteen years. the amortisation expense is recognised within administrative expenses in the profit and loss account.

Notes to the financial statements (continued)

for the year ended 30 June 2019

2. Accounting policies (continued)

Intangible assets (continued)

The residual value and useful life of each intangible asset is reviewed at each financial period end and, if expectations differ from previous estimates, the changes are accounted for prospectively in the profit and loss account in the period of the change and future periods. An increase in the residual value of an asset will decrease the amortisation charge for the period and future periods and vice versa.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds less cost of sale with the carrying amount and are recognised in the profit and loss account.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses (excluding goodwill), the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of amortisation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the profit and loss account, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Financial instruments

a. Financial assets

Loans and receivables

Loans and receivables are carried at amortised cost using the effective interest rate (EIR) method, less impairment. The EIR amortisation is included in interest income in the profit and loss account. The losses arising from impairment are recognised in operating expenses.

This category generally applies to the Company's trade and other receivables.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

b. Financial liabilities

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

Notes to the financial statements (continued)

for the year ended 30 June 2019

2. Accounting policies (continued)

c. Fair values

The Company measures non-financial assets, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

External valuers are involved for valuation of significant assets, such as licences. Involvement of external valuers is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

d. Derecognition of financial instruments

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired.

Notes to the financial statements (continued)

for the year ended 30 June 2019

2. Accounting policies (continued)

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax related to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity not in the profit or loss account.

Revenue

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

Currently the only revenue stream is royalties from the out-license of the intellectual property owned by the Company which is recognised over time as the licence is used by the customer.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

In particular the Company has identified the following areas where significant judgement, estimates and assumptions are required.

a. Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Carrying value of intangible assets and useful economic lives

The carrying value of intangible assets is at cost less amortisation and any impairment. The useful economic life of acquired products is determined based on the future profile of cash flows expected to be generated. Annual impairment trigger reviews are undertaken at the end of the financial year or more frequently if events or changes in circumstances indicate a potential impairment. Trademarks and licences are not traded in an active market hence the fair value of the asset is determined using discounted cash flows which involves the Company using judgement and assumptions.

b. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Fair value measurement

The fair value of an asset or a liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value.

Notes to the financial statements (continued)

for the year ended 30 June 2019

3. Administrative expenses

| | 2019 US\$000 | 2018 US\$000 |
|--|-----------------|-----------------|
| Amortisation of intangible assets (note 8) | 2,056 | – |

The audit fee in relation to these financial statements was borne by the parent company Clinigen Group plc, the fee is included in the costs incurred by the parent company which are covered.

4. Exceptional income

During the year the Company received a one-off rebate of US\$11,217,000 from Novartis International AG in relation to the first shipment of Proleukin.

5. Staff cost and directors' remuneration

The Company had no employees during the year (2018: nil) and accordingly no employee costs (2018: \$nil) are included in these financial statements.

The directors received no remuneration for their services to the Company (2018: \$nil).

6. Interest payable and similar expenses

| | 2019 US\$000 | 2018 US\$000 |
|--|-----------------|-----------------|
| Unwind of discount on deferred consideration | 1,392 | – |

7. Tax on profit for the year**(a) Tax charged in the profit and loss account**

| | 2019 US\$000 | 2018 US\$000 |
|--------------------------------------|-----------------|-----------------|
| Current income tax: | | |
| Tax on profit for the financial year | 745 | – |

(b) Reconciliation of the total tax charge

Reconciliation between tax expense and the accounting profit multiplied by the UK standard rate of corporation tax is as follows:

| | 2019 US\$000 | 2018 US\$000 |
|--|-----------------|-----------------|
| Profit before taxation | 17,694 | – |
| Tax calculated at UK standard rate of corporation tax of 19.0% (2018: 19.0%) | 3,362 | – |
| Effects of: | | |
| Expenses not deductible for tax purposes | 264 | – |
| Transfer pricing adjustment | (2,881) | – |
| Total tax expense reported in the profit and loss account | 745 | – |

Notes to the financial statements (continued)

for the year ended 30 June 2019

8. Intangible assets

| | Trademarks & licences \$000 |
|----------------------------------|-----------------------------------|
| Cost: | |
| Additions | 185,238 |
| At 30 June 2019 | 185,238 |
| Accumulated amortisation: | |
| Charge for the year | 2,055 |
| At 30 June 2019 | 2,055 |
| Net book value: | |
| At 30 June 2019 | 183,183 |

In April 2019, the Company acquired the US rights to Proleukin (aldesleukin, recombinant interleukin-2).

9. Debtors

| | 2019 US\$000 | 2018 US\$000 |
|------------------------------------|-----------------|-----------------|
| Amounts owed by group undertakings | 81,198 | – |

The amounts owed by group undertakings are non-interest bearing and receivable on demand.

10. Creditors: amounts falling due within one year

| | 2019 US\$000 | 2018 US\$000 |
|------------------------------------|-----------------|-----------------|
| Accrued expenses | 6,320 | – |
| Corporation tax liability | 745 | – |
| Amounts owed to group undertakings | 153 | – |
| Deferred consideration | 56,631 | – |
| | 63,849 | – |

The amounts owed to group undertakings are non-interest bearing and payable on demand.

The deferred consideration relates to the two stage payments for Proleukin which are due in October 2019 and April 2020.

Notes to the financial statements (continued)

for the year ended 30 June 2019

11. Called up share capital

| | 2019 | 2018 | 2019 | 2018 |
|-------------------------------|--------|------|---------|---------|
| <i>Issued and fully paid</i> | No. | No. | US\$000 | US\$000 |
| Ordinary shares of £1 each | 1 | 1 | - | - |
| Ordinary shares of US\$1 each | 18,000 | - | 18,000 | - |

On 22 May 2019, the Company passed a resolution to create a new class of shares with a value of US\$1 each. The Company subsequently issued 18,000,000 new shares which were taken up by the parent undertaking for total consideration of US\$183,800,000.

The ordinary shares of £1 and US\$1 rank pari-passu. The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The shares are not redeemable.

12. Financial instruments

Fair values of financial instruments

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

| | Fair value 2019 | Carrying amount 2019 | Fair value 2018 | Carrying amount 2018 |
|---|--------------------|----------------------------|--------------------|----------------------------|
| | US\$000 | US\$000 | US\$000 | US\$000 |
| Financial assets measured at amortised cost | | | | |
| Debtors (note 9) | 81,198 | 81,198 | - | - |
| Cash at bank | 217 | 217 | - | - |
| Total financial assets measured at amortised cost | 81,415 | 81,415 | - | - |
| Total financial assets | 81,415 | 81,415 | - | - |
| Financial liabilities measured at amortised cost | | | | |
| Creditors: amounts falling due within one year (note 10) | (63,104) | (63,104) | - | - |
| Total financial liabilities measured at amortised cost | (63,104) | (63,104) | - | - |
| Total financial liabilities | (63,104) | (63,104) | - | - |
| Total financial instruments | 18,311 | 18,311 | - | - |

Management considers that the carrying amount of financial assets and liabilities recognised at amortised cost in the financial statements approximate their fair value. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Notes to the financial statements (continued)

for the year ended 30 June 2019

13. Capital commitments and contingent liabilities

The Company guarantees the borrowing facilities of its ultimate parent company Clinigen Group plc. The balance of the facilities at 30 June 2019 was £338.1m. The Company had no capital commitments as at 30 June 2019 (2018: none).

14. Ultimate parent undertaking and controlling party

The Company is a wholly owned subsidiary undertaking of Clinigen Holdings Limited. The Company's ultimate parent undertaking and controlling party is Clinigen Group plc, a company registered in England and Wales.

Clinigen Group plc is the parent undertaking of the largest group of which the Company is a member. The consolidated financial statements of this group may be obtained from Pitcairn House, Crown Square, Centrum 100, Burton-on-Trent, Staffordshire, DE14 2WW.