REGISTERED NUMBER: 04026469 (England and Wales)

VECTURA DELIVERY DEVICES LIMITED

04026469

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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COMPANY INFORMATION

DIRECTORS:	J Ward-Lilley J Murphy
COMPANY SECRETARY:	J Murphy
REGISTERED OFFICE:	One Prospect West Chippenham Wiltshire SN14 6FH United Kingdom
REGISTERED NUMBER:	04026469 (England and Wales)
AUDITOR:	KPMG LLP 15 Canada Square London E14 5GL
PRINCIPAL BANKERS:	Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5HP United Kingdom

PRINCIPAL ACTIVITY

The principal activity of the Company is that of research, development and commercialisation of pharmaceutical products and technologies and this is expected to continue for the foreseeable future.

Vectura Delivery Devices Limited (the "Company") is a wholly-owned subsidiary of Vectura Group plc ("Vectura" or "the "Group"). The Directors present their strategic report for the year ended 31 December 2018.

GOING CONCERN

The Company made a profit of £6.8m for the year ended 31 December 2018 (2017: loss of £0.8m) and has net assets of £1.0m as at 31 December 2018 (31 December 2017: net liabilities of £5.8m). The Company performs research and development activities in relation to devices from which it expects to continue generating a positive return in the medium to long term. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of signing this report. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2017: nil).

DIRECTORS

The Directors who held office during the year were as follows:

J Ward-Lilley (appointed 31 July 2018)
J Murphy
A Derodra (resigned 31 July 2018)

The ultimate parent company has granted an indemnity to its Directors against liability in respect of any proceedings brought by third parties, which remains in force as at the date of approving the Directors' Report.

POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations were made (2017: nil).

INFORMATION PROVIDED TO THE AUDITOR

Each Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The Director's Report has been approved and signed on behalf of the Board by:

....

James Ward-Lilley
Director
30 May 2019

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company'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 company or to cease operations, or have no realistic alternative but to do so.

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 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 company and to prevent and detect fraud and other irregularities.

Opinion

We have audited the financial statements of Vectura Delivery Devices Limited ("the company") for the year ended 31 December 2018 which comprise the income statement, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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

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

Going concern

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

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

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

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report 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 directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 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
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company 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/auditorsresponsibilitiies.

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Adrian Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom

31 May 2019

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**Year ended 31 December 2018 £'m**	Year ended 31 December 2017 £'m
Revenue	4	**12.4**	3.3
Cost of sales		**(1.3)**	(1.2)
GROSS PROFIT		**11.1**	2.1
Research and development expenses		**(3.1)**	(2.4)
Corporate costs and marketing expenses		**(1.3)**	(0.7)
Other income	5	**0.1**	0.2
OPERATING PROFIT/(LOSS)		**6.8**	(0.8)
Finance (expense) / income		**-**	-
PROFIT/(LOSS) BEFORE TAXATION		**6.8**	(0.8)
Net taxation credit / (charge)	8	**-**	-
PROFIT/(LOSS) FOR THE YEAR		**6.8**	(0.8)

All results are derived from continuing operations and are attributable to the parent. As there is no difference between the results presented above and total comprehensive income, a separate statement of other comprehensive income is not presented.

BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	31 December 2018 £'m	31 December 2017 £'m
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	**1.3**	1.3
Deferred tax asset		**0.1**	0.1
		1.4	1.4
CURRENT ASSETS			
Inventories	10	**0.3**	0.4
Trade and other receivables	11	**12.0**	3.8
Cash and cash equivalents		**0.8**	-
		13.1	4.2
TOTAL ASSETS		**14.5**	5.6
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**(0.4)**	(0.2)
Customer contract liabilities	12	**(2.4)**	-
Intercompany payables	12	**(8.3)**	(11.2)
		(11.1)	(11.4)
NON-CURRENT LIABILITIES			
Customer contract liabilities	12	**(2.4)**	-
		(2.4)	(11.4)
TOTAL LIABILITIES		**(13.5)**	(11.4)
NET ASSETS/(LIABILITIES)		**1.0**	(5.8)
EQUITY			
SHAREHOLDER'S DEFICIT			
Called up share capital	14	**3.5**	3.5
Retained losses		**(2.5)**	(9.3)
TOTAL DEFICIT		**1.0**	(5.8)

The financial statements of Vectura Delivery Devices Limited, registered number 04026469, were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

....

James Ward-Lilley
Director
30 May 2019

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

	Called up share capital	Retained (losses)/ earnings	Total equity
	£'m	£'m	£'m
As at 31 December 2016	3.5	(8.5)	(5.0)
Loss for the year	—	(0.8)	(0.8)
As at 31 December 2017	**3.5**	**(9.3)**	**(5.8)**
Profit for the year	—	6.8	6.8
As at 31 December 2018	3.5	**(2.5)**	**1.0**

1. General information

Vectura Delivery Devices Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales and is a wholly-owned subsidiary of Vectura Group plc. The address of the registered office is One Prospect West, Chippenham Wiltshire, SN14 6FH. The nature of the Company's operations and its principal activities are set out in the Strategic report.

These financial statements are presented in pounds sterling rounded to millions. The presentational and functional currency is sterling being the primary currency of the UK economic environment in which the Company operates.

These financial statements are separate financial statements. The smallest and largest Group to consolidate Vectura Limited is Vectura Group plc. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the Group accounts of Vectura Group plc.

2. Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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. The following automatically available FRS 101 disclosure exemptions has been taken.

- A Cash Flow Statement and related notes
- Comparative period reconciliations for fixed assets
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services
- An additional balance sheet for the beginning of the earliest comparative period following retrospective change in accounting policy, the correction of error, or the reclassification of items in the financial statements

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

- Disclosure requirements of IFRS 15 Revenue from Contracts with Customers.
- IFRS 2 Share Based Payments in respect of Group settled share based payments.
- The disclosures required by IFRS 7 Financial Instrument Disclosures.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: Non-current assets and disposal Groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Going concern

The Company made a profit of £6.8m for the year ended 31 December 2018 (2017: loss of £0.8m) and has net assets of £1.0m as at 31 December 2018 (31 December 2017: net liabilities of £5.8m). The Company performs research and development activities in relation to devices from which it expects to continue generating a positive return in the medium to long term. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of signing this report. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

2. Basis of preparation (continued)

The Directors have reviewed the Group's detailed cash flow forecast for the foreseeable future, made relevant enquiries and considered reasonably plausible downsides in trading performance, to satisfy themselves that the ultimate parent company is able to provide the necessary support to enable the Company to meet its liabilities as they fall due. After making these enquires, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of signing this report. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

New Accounting Standards adopted in this period

IFRS 15 – Revenue from contracts with customers

The Company has applied IFRS 15 from 1 January 2018. A number of other new amendments are also effective from 1 January 2018 in relation to IFRS 2 Share-*based payments* and *IAS 28 Investments in associates,* but they do not have a material effect on the Company's financial statements. *IFRS 9 Leases,* which mandates adoption for 2018, was early adopted by the Company in the 2017 Annual Report.

The Company adopted IFRS 15 – Revenue from Contracts with Customers on 1 January 2018. The collaborative agreement with Hikma to develop generic versions of GSK's Ellipta® portfolio is the first agreement that the Group has signed since the implementation of the standard and therefore this is the first agreement that has Company accounted for in full in accordance with this standard

Accounting for the developments of the Generic of GSK Ellipta® products with Hikma in November 2018 are explained in note 3 of the Group's Annual report and summarised in note 4 of these financial statements.

Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, Directors are required to make judgements, estimates and assumptions estimates and assumptions, in accordance with IFRS, that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

The critical accounting judgements and key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities have been identified as:

- Revenue recognition

The recognition of revenue and the capitalisation of research and development expenditure are areas that require significant judgement in applying IFRS for medium sized pharmaceutical entities involved in collaborative developments.

The Company enters into a wide variety of collaborative agreements with partners which may span several reporting periods, and involve multiple revenue streams. Significant judgement is often required in assessing the obligations under such contracts and the revenue and costs that are applicable to be allocated to each reporting period. For royalty income, judgement is exercised as management are not directly responsible for the sale of the product to the market they prepare an estimate of the level of royalties to be earned and compare this to external sales data reported by partners and royalty statements received. The recognition of income from non-recurring milestones requires an assessment of the Company's future obligations under the applicable contract, such as when development or sales targets have been met, to determine the most suitable revenue recognition profile.

3. Significant accounting policies

Revenue

Royalties and other marketed revenues
Where a licence of intellectual property is the predominant item to which a royalty relates, then revenues are recognised upon the occurrence of partner net sales. Other marketed revenues primarily include sales or usage-based milestones for which revenue is recognised consistently with royalties as stated above.

Development revenues
Revenues related to development stage programmes are allocated to the following performance obligations as applicable:

(a) Licence to the Group's intellectual property

A licence granted by the Group usually provides the partner with a right-to-use, but not to own, the IP related to a development that has not yet received regulatory approval as it exists at contract inception. A licence is capable of being distinct from development services if, regardless of contractual terms, it could be sold separately as it exists at the point in time it was granted. The timing of revenue recognised from a licence of intellectual property depends on whether:

- the licence is capable of being distinct (i.e. could be sold separately as it exists at the point in time it was granted). In this case revenue is recognised when control is transferred, normally at contract inception; or

- the licence is not capable of being distinct and therefore, the customer cannot benefit from the value of purchasing it without the provision of additional services from Vectura. In this instance, revenue is recognised as those services accrue.

(b) Development services

Revenue from a contract to provide development services is recognised by reference to the stage of completion of the contract. Stage of completion is estimated by either completion of relevant milestones or proportion of estimated hours for work performed to date, as appropriate.

Product supply
The company generates revenues from the sale of devices manufactured by third-party suppliers, to commercial distribution partners. Revenue is recognised when the customer gains control of the goods which is when the performance obligation is satisfied.

Research and development ("R&D") expenses

R&D expenses comprise internal employee costs and third party service costs relating to feasibility studies, technical development, costs of chemistry, manufacturing of trial batches, clinical work and the registration and maintenance of intellectual property. As the nature of our R&D projects is associated with obtaining regulatory approval, these costs rarely meet the IAS 38 criteria for capitalisation and are normally charged to the income statement as the expenses are incurred.

Other income

Other income relates to government grants for qualifying UK R&D under the Research and Development expenditure credit ("RDEC") scheme for large companies. Such grants are taxable and are presented as other income in the income statement.

Taxation

The net taxation charge on the loss for the year includes current and deferred tax. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received using tax rates enacted at the reporting date.

Deferred taxation is recognised on all temporary differences arising between the local tax bases of assets and liabilities and their carrying amounts in the Company's financial statements. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Property, plant and equipment ("PP&E")

PP&E is initially recognised at cost with depreciation subsequently applied evenly over its estimated life less any residual value. PP&E is depreciated on a straight-line basis over the estimated useful lives, as follows:

- Land and Buildings – 20 to 50 years
- Laboratory and supply chain equipment – 3 to 10 years

Share-based payments

The Group operates a number of employee equity-settled share-based compensation plans as part of its Reward Strategy. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the awards are expensed over the vesting period based on the Company's estimate of awards that will eventually vest. The cost of equity-settled share transactions is recognised, together with a corresponding increase in equity, over the vesting period.

Financial Instruments

For the purposes of recognition and measurement financial assets are classified into one of these categories

- Trading activities: Assets that are held for collection of contractual trading cash flows are measured at amortised cost. A gain or loss is recognised in the consolidated income statement only when the asset is derecognised or impaired. Interest income is included in finance income using the effective interest rate method if applicable.

- Financial assets held for future sale: Assets that are held for collection of contractual cash flows and for selling the financial assets are measured at fair value through other comprehensive income ("FVOCI").

In instances where the financial assets meets neither category, they are measured at fair value through profit and loss ("FVTPL"). Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their invoice amount as interest is not applicable to the contract.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Financial Liabilities are initially measured at fair value and subsequently measured at amortised cost.

4. Revenue

Revenue by category and customer location are presented below:

Revenue by category	**Year ended 31 December 2018 £'m**	Year ended 31 December 2017 £'m
Development services	**6.6**	—
Royalties and other marketed revenues	**4.3**	1.8
Product supply	**1.5**	1.5
Total revenue	**12.4**	3.3

Revenue by customer location	**Year ended 31 December 2018 £'m**	Year ended 31 December 2017 £'m
United States of America	**6.6**	—
Rest of Europe (excl. UK)	**5.8**	3.3
Total revenue	**12.4**	3.3

Revenue of £6.6m (2017: nil) has been recognised relating to the collaborative arrangement with Hikma signed in November 2018 to develop generic versions of GSK's Ellipta® portfolio. Of this amount, £4.2m (2017: nil) was recognised when the Company provided Hikma with the right to use intellectual property related to Vectura's Open-Inhale-Close prototype device as it existed on the grant date. The remaining £2.4m has been recognised reflecting the degree of progress made towards completing the second performance obligation being the provision of development services on Vectura's Open-Inhale-Close device.

5. Other income

The Company will claim R&D Expenditure Credits ("RDEC") of £0.1m in the year ended 31 December 2018 alongside the tax return filing process (2017: £0.2m). As these credits are subject to corporation tax they are presented as other income. Other than HMRC's acceptance of the tax return, there are no unfulfilled conditions or other contingencies attaching to this income.

6. Employees

The average number of employees during the period was as follows:

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Research and development	**16**	16
Business development and administration	1	1
Average number of employees	**17**	17

The aggregate remuneration of employees comprised:

	Year ended 31 December 2018 £'m	Year ended 31 December 2017 £'m
Wages and salaries	**1.1**	0.9
Social security costs	**0.2**	0.1
Other pension costs	**0.1**	—
Total remuneration	**1.4**	1.0

Employee share plans are excluded from this disclosure as they do not solely relate to payments made for employment services in each period presented.

7. Auditor's remuneration

Fees payable to the Company's auditor services pursuant to these accounts were £35,000 (2017: £22,500). No other services were performed in relation to Vectura Delivery Devices Limited.

8. Taxation

The Company's Effective Tax Rate is a 2% debit (2016: 6.68% debit). The Company is profit-making and received a tax credit on qualifying R&D expenditure.

The UK tax Group is able to claim the research and development expenditure credit ("RDEC") for large enterprises. The credit under this scheme is subject to UK corporation tax and therefore is included within profit before taxation and presented as other income. R&D tax credits shown within taxation for this period relate to adjustments to prior year claims under the SME regime.

The charge for the year can be reconciled to the Profit before tax as follows:

	Year ended 31 December 2018 £'m	Year ended 31 December 2017 £'m
(Loss)/profit before tax	**6.8**	(0.8)
(Loss)/profit before tax multiplied by standard rate of UK corporation tax of 19% (2017: 19.25%)	**(1.3)**	0.2
Effects of:		
Group relief surrendered	**1.2**	-
Other permanent differences	**(0.1)**	(0.1)
Unrecognised tax losses carried forward	**-**	(0.1)
Prior year deferred tax	**0.2**	-
Total tax charge for the period	**-**	-

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce to 17% from 1 April 2020. The impact on the Company accounts is expected to be immaterial.

Deferred taxation

The Company recognises a deferred tax asset of £0.1m in the period (2017: £0.1m).

9. Property, plant and equipment

	Assets under construction £'m	Laboratory and office equipment £'m	Total £'m
Cost as at 1 January 2018	0.8	4.2	5.0
Additions	0.1	—	0.1
Reclassification	(0.4)	0.4	—
Cost as at 31 December 2018	**0.5**	**4.6**	**5.1**
Depreciation as at 1 January 2018	—	(3.7)	(3.7)
Charge for the year	—	(0.1)	(0.1)
Depreciation as at 31 December 2018	—	**(3.8)**	**(3.8)**
Net Book value as at 31 December 2018	**0.5**	**0.8**	**1.3**

10. Inventories

As at 31 December 2018, the Company holds £0.3m of inventories (31 December 2017: £0.4m). The entire balance is classified as 'finished goods' as they relate to device or components that require minimal organisation or assembly in order to sell to the customer.

11. Trade and other receivables

	31 December 2018 £'m	31 December 2017 £'m
Amounts due from group undertakings	**11.6**	3.5
Trade receivables	**11.6**	3.5
Prepayments	**0.2**	0.1
Research and development tax credits	**0.2**	0.2
Trade and other receivables	**12.0**	3.8

As all external receivables will shortly be settled for cash, after the balance sheet date, then there is considered to be no difference between their carrying values and fair values. No receivables are past due but not provided for. All receivables from Group undertakings are repayable on demand and accordingly classified as short term.

12. Trade and other payables

	31 December 2018 £'m	31 December 2017 £'m
Accruals	**0.4**	0.2
Amounts owed to ultimate parent undertaking	**4.2**	7.1
Amounts owed to other group undertakings	**4.1**	4.1
Customer contract liabilities	**2.4**	-
Trade and other current payables	**11.1**	11.4
Customer contract liabilities	**2.4**	-
Other non-current payables	**2.4**	-
Total trade and other payables	**13.5**	11.4

As all external current payables will shortly be settled for cash, after the balance sheet date, there is considered to be no difference between their carrying values and fair values.

13. Operating lease commitments

At the balance sheet date, the Company has aggregate outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2018 £'m	31 December 2017 £'m
Expiry date:		
Within one year	**0.3**	**0.3**
In the second to fifth years inclusive	**1.0**	**0.5**
Over five years	**0.5**	-
Operating lease commitments	**1.8**	**0.8**

Operating lease commitments relate to research and development facilities in Cambridge.

During the year, the facilities requirements of Vectura Group were reviewed and, as a result, the Company's operating lease in Cambridge has been extended further.

14. Share capital

Allotted, issued and fully paid:

Number	Class	Nominal value	**2018 £'m**	2017 £'m
3,515,179	Ordinary	£1	**3.5**	3.5

15. Ultimate parent company

The Company's immediate parent undertaking is Vectura Group Investments Limited and its ultimate controlling party is Vectura Group plc, both companies incorporated in England and Wales. Vectura Group plc is both the smallest and largest entity to consolidate the results of the Company.

The consolidated financial statements for Vectura Group plc are available within the investors section of the Group's corporate website www.vectura.com/investors/financial-reports, and from Vectura Group plc, One Prospect West, Chippenham, Wiltshire, SN14 6FH.