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Final Results

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PureTech Health plc

PureTech Health Announces Annual Results for Year Ended 31 December 2018

Landmark FDA clearance for product conceived at PureTech Health, rollout of internal pipeline with two validating pharmaceutical partnerships with Roche and Boehringer Ingelheim, and five successful clinical trial readouts across affiliate pipeline

PureTech's strong cash position includes $177 million on a parent company level which extends cash runway guidance into the first quarter of 2022 and $425 million in Group cash leaving Group well positioned for execution

PureTech's affiliates raised $274 million in financing transactions, including $242 million from third party investors

PureTech Health plc (LSE: PRTC) ("PureTech Health"), an advanced biopharmaceutical company developing novel medicines for dysfunctions of the Brain-Immune-Gut (BIG) axis, today announced its annual results for the year ended 31 December 2018. The following information represents select highlights from the full Report, which is available on the Investor Relations section of the PureTech Health website at http://puretechhealth.com/reports-presentations.

Cash Position

· As of 31 December 2018, PureTech Health reports a consolidated cash balance of approximately $250.9 million, with approximately $177.7 million held at the Parent Company. Group cash and short-term investments (APM) were $425.0 million including the cash and short-term investment balances held at Independent affiliates[i].

· In 2018, PureTech's affiliates raised $274 million[ii] in financing transactions, including $242 million from third party investors. In the 2019 post-period, affiliates have raised $140 million[iii], of which $121.2 million was from third party investors. PureTech Health also successfully raised gross proceeds of approximately $100 million (£72 million) through a placing in 2018.

New Internal R&D Group Yields Value in First Months

PureTech Health announced the formation of its Internal R&D group, with a focus on tissue selective immunomodulation. Key developments included the following:

· In July 2018, PureTech Health announced a collaboration with Roche to advance PureTech's milk-derived exosome platform technology for the oral administration of Roche's locked nucleic acid (LNA) antisense oligonucleotide platform, designed to facilitate the oral administration of complex payloads. PureTech Health will receive up to $36 million in upfront payments, research support, and preclinical milestones and is eligible to potentially receive over $1 billion in development milestones in addition to sales milestones and royalties for an undisclosed number of products.

· Also in July 2018, PureTech's central nervous system (CNS) lymphatics programme was published as the cover story in Nature. The publication by PureTech Health collaborator Jonathan Kipnis, PhD, revealed that modulation of lymphatic function in the brain may prevent or delay diseases associated with ageing, including Alzheimer's disease, Huntington's disease and age-associated cognitive decline. The same programme was also published in Nature Neuroscience in September 2018, highlighting the key role of brain lymphatics in neuroinflammatory conditions like multiple sclerosis.

· In the April 2019 post-period, PureTech Health entered into a partnership with Boehringer Ingelheim (BI) to advance BI's immuno-oncology product candidates using PureTech's lymphatic targeting platform. Under the terms of the agreement, PureTech Health will receive up to $26 million, including upfront payments, research support, and preclinical milestones, and is eligible to potentially receive over $200 million in development and sales milestones, in addition to royalties on product sales.

· Also in the April 2019 post-period, PureTech Health was selected to present data detailing its immuno-oncology programmes at the American Association for Cancer Research (AACR) Annual Meeting. The presentations detailed PureTech's development of first- in-class, fully-human monoclonal antibodies (mAbs) targeting Galectin-9 (LYT-200) and immunosuppressive γδ1 (gamma delta) T cells (LYT-210). LYT-200 and LYT-210 are unique mAbs targeting foundational, novel mechanisms of tumoural immune escape and immunosuppression in cancer, and have been tested as single agents, as well as in combination with anti-PD1 in preclinical murine and human-derived ex vivo models.

Affiliate Pipeline Clinical and Regulatory Highlights

In 2018, PureTech Health made significant clinical progress across its Affiliates division, which includes seven clinical-stage programmes and three preclinical programmes focused on the biological processes associated with the Brain-Immune-Gut (BIG) axis. Clinical developments included the following:

· Gelesis filed an application with the United States Food and Drug Administration (FDA) for review of its lead product candidate in weight management. In the April 2019 post-period, Gelesis received FDA clearance for PLENITY™ as an aid for weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise[iv]. Gelesis also filed PLENITY for marketing authorisation in Europe in the first quarter of 2019 and expects to receive feedback in 2019.

· Akili also filed an application with FDA in 2018 for review of its lead product candidate in paediatric attention deficit hyperactivity disorder (ADHD). Also in 2018, Akili successfully completed a Phase 2 study of AKL-T03 in depression and a proof-of-concept study of AKL-T03 in multiple sclerosis. Full analyses are underway, and - based on the results of the studies - both programmes are expected to advance into larger studies in 2020.

· resTORbio announced positive results from a Phase 2b study of its proprietary target of rapamycin complex 1 (TORC1) inhibitor, RTB101. In the March 2019 post-period, resTORbio announced a positive end of Phase 2 meeting with the FDA and the planned initiation of a global Phase 3 programme for RTB101 in 2019. In the April 2019 post-period, resTORbio announced the initiation of a Phase 1b/2a trial of RTB101 alone or in combination with sirolimus, in Parkinson's disease.

· Karuna initiated a Phase 2 study of KarXT (Karuna-Xanomeline-Trospium), its lead product candidate, for the treatment of psychosis in schizophrenia, with results anticipated by the end of 2019. Karuna is using a proprietary co-formulation of KarXT that successfully demonstrated tolerability at a dose level exceeding those shown to be efficacious in previous studies of xanomeline alone.

· Vedanta Biosciences advanced two clinical-stage product candidates. In October 2018, the company announced results from a successful Phase 1a/1b study of lead candidate VE303 in recurrent Clostridium difficile (rCDI). A Phase 2 study of VE303 was initiated in December 2018, and results are anticipated in early 2020. In November 2018, Vedanta Biosciences' partner Janssen Biotech, Inc. also initiated a Phase 1 clinical study of inflammatory bowel disease (IBD) candidate VE202, triggering a milestone payment of $12 million. Results are anticipated in the second half of 2019.

· Follica made significant progress towards the initiation of a pivotal study in androgenetic alopecia, which is anticipated to begin in 2019 following the completion of an ongoing optimisation study.

· Sonde has tested 10,000 patient samples in expanded development of its proprietary technology in neurodegenerative disease, respiratory and cardiovascular disease, and other health and wellness conditions.

· In the January 2019 post-period, PureTech Health made the decision to de-prioritise Commense. PureTech Health has decided to retain all intellectual property, but it will not allocate further resources to this programme pending the outcome of ongoing preclinical research with academic collaborators.

Commenting on the annual results, Daphne Zohar, founder and chief executive officer of PureTech Health said:

"It has been an exhilarating year and we believe we are on the cusp of unlocking significant value for our shareholders. We are gratified by the excellent reception of our Internal R&D group, which has already secured partnerships with two major pharmaceutical companies, validating the science while enabling PureTech Health to retain most of the rights to the core platforms.

"We believe that six of our affiliates have the potential for monetisation over the next 12 to 18 months, and we are extremely excited by the post-period news about Gelesis' landmark FDA clearance last week, which is a testament to what our team has been able to accomplish by thinking differently about major health issues.

"We are pleased to be in the position to realise value for our strong base of investors who have supported us since IPO as well as a new group of investors who will take the journey with us to the next level of growth. We approach 2019 energetic about delivering on our vision. I thank our talented and dedicated team, wise board, visionary investors, and the patients and clinicians who inspire us to reach beyond current thinking."

PureTech Health today released its Annual Report for the year ended 31 December 2018. In compliance with the Financial Conduct Authority's Listing Rule 9.6.3, the following documents have today been submitted to the National Storage Mechanism and will shortly be available for inspection at http://www.morningstar.co.uk/uk/NSM

· Annual Report and Accounts for the year ended 31 December 2018; and

· Notice of 2019 Annual General Meeting.

Printed copies of these documents together with the Form of Proxy have been posted to shareholders. Copies are also available electronically on the Investor Relations section of the Company's website at http://puretechhealth.com/reports-presentations.

PureTech Health's 2019 Annual General Meeting will be held at 15.00 BST on Wednesday 29 May 2019 at the offices of DLA Piper UK LLP at 160 Aldersgate Street, London, EC1A 4HT, United Kingdom.

About PureTech Health

PureTech Health (LSE: PRTC) is an advanced biopharmaceutical company developing BIG medicines for dysfunctions of the Brain-Immune-Gut axis. The Company has gained deep insights into the connection between these systems and the resulting

role in diseases that have proven resistant to established therapeutic approaches. By harnessing this emerging field of human biology, PureTech Health is developing new categories of medicines with the potential to have great impact on people with serious diseases.

PureTech Health is advancing a rich pipeline of innovative therapies with an unbiased, non-binary, and capital efficient R&D model across its affiliates and its internal labs. PureTech's affiliates include seven clinical-stage platforms, including one product that has been cleared by the US Food and Drug Administration (FDA) and a second product candidate that has been filed with the FDA for review, and several other novel preclinical programmes. The PureTech Health pipeline includes ground-breaking platforms and therapeutic candidates that were developed in collaboration with some of the world's leading experts.

PureTech's internal research and development is centred on tissue-selective immunomodulation for the treatment of oncology, autoimmune, and CNS-related disorders, with a near-term focus on targeting newly-discovered, foundational immunosuppressive mechanisms in oncology and novel approaches that harness the lymphatic infrastructure.

For more information, visit www.puretechhealth.com or connect with us on Twitter @puretechh.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

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Notes

(i) Group Cash is an alternative performance measure (APM) which includes $174.1 million of cash reserves and short-term investments from our Independent Affiliates (resTORbio and Akili). These Independent Affiliates are not included in the consolidated statement of financial position. Therefore Group Cash is considered to be more representative of the Group's cash available to advance product candidates within its Independent Affiliates which could ultimately result in value accretion for the Group.

(ii) This number includes the issuance of $22 million in shares upon conversion of debt into equity as part of Karuna's Series A financing round. Of the $22 million converted into equity, $2 million came from the $8 million Wellcome Trust award. Excluded from the amount of funding secured for affiliates is $12 million in milestone payments made to Vedanta Biosciences from Janssen Biotech, Inc as part of an ongoing collaboration.

(iii) This number includes an issuance of $7 million in shares upon conversion of debt into equity as part of Karuna's Series B financing round, all of which came from the Wellcome Trust award announced in June 2018. It also included an issuance of $7.3 million and $6 million in shares upon conversion of debt into equity as part of Vor's Series A financing round and Sonde's Series A-2 financing round, respectively.

(iv) Rx Only. For the safe and proper use of PLENITY, refer to the Instructions for Use.

(v) Nature of announcement

The financial information set out in this Annual Results Release does not constitute the Company's statutory accounts for 2017 or 2018. Any references to page numbers in this announcement are to pages within the Annual Report and Accounts. Statutory accounts for the year ended 31 December 2018 have been reported on by the Independent Auditor and will be delivered to the Registrar when due.

(vi) Forward looking statements

This Annual Results Release and the Annual Report and Accounts contain statements that are or may be forward-looking statements, including statements that relate to the Company's future prospects, developments and strategies. The forward-looking statements are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially from current expectations, including, but not limited to, those risks and uncertainties described in the risk management section. These forward-looking statements are based on assumptions regarding the present and future business strategies of the Company and the environment in which it will operate in the future. Each forward-looking statement speaks only as at the date of this Annual Results Release. Except as required by law, regulatory requirement, the Listing Rules and the Disclosure Guidance and Transparency Rules, neither the Company nor any other party intends to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Letter from the Chairman

Reflecting on PureTech's most ambitious year yet, it has been a pleasure to observe the growth in value across the breadth and depth of its programmes. First-ever late stage milestones, including filings for regulatory review of two first-in-class therapeutics and multiple other clinical advances, have complemented the expansion and validation of our internal R&D activity, which we see as a major driver of long-term, sustainable growth.

Scientific excellence, value-driving partnerships, and prudent stewardship of growth are the heart of biopharma development. As Chairman, I have found it rewarding to watch PureTech Health continue to deliver on all these fronts, burnishing its credentials as one of the most productive and innovative biopharma companies in the industry with a management team that leads with a highly effective combination of vision and practicality.

Our Board of Directors includes some of the most seasoned and experienced healthcare experts, and I thank them for another year of steady oversight and thoughtful counsel. Their guidance and commitment to the highest standards of governance enable PureTech Health to focus on its core mission of delivering bold ideas to transform healthcare.

To that end, PureTech Health has fostered the development of multiple exceptional technologies, drawing on its emergence as a major global hub of expertise around the Brain-Immune-Gut (BIG) axis. This biological framework continues to gain momentum as the key to understanding the human body's response to the external environment via adaptive, inherently modifiable systems.

PureTech Health has already achieved remarkable things in this field through its Affiliate division and is breaking new scientific ground to address indications with significant unmet need. In April 2019, Gelesis achieved a truly exciting milestone as it received clearance from the United States Food and Drug Administration (FDA) for its first product, PLENITY™, a new and highly differentiated aid for weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, in conjunction with diet and exercise.

Akili also is seeking clearance from FDA for its digital medicine that is designed for the targeted activation of specific neural systems in the brain to treat cognitive dysfunction in paediatric ADHD without pharmacological intervention - a treatment that is the first of its kind.

Internal R&D programmes, meanwhile, have rapidly advanced by leveraging the Group's considerable expertise in the BIG axis. Drawing on these insights, the PureTech Health team is identifying promising technologies, including the exciting prospect of intervening in a wide range of diseases by modulating immunity at a local level, such as via the immune-cell highway of the lymphatic system.

Within PureTech Health lies the vision, talent and organisational capability to seize opportunities where others do not think to look, and I thank our shareholders for supporting and enabling that vision. Every year, the PureTech Health team's success validates its daring and transformative spirit and takes the company to new heights. I very much look forward to the advances and milestones that lie ahead in 2019.

Joichi Ito

Chairman

Strategic report

Letter from the Chief Executive Officer

At PureTech Health, our vision is to pioneer new frontiers in medicine. In the past year, I'm pleased to report that we have taken major strides toward that goal, delivering significant value for both the business and patients as we continued to pursue breakthroughs in harnessing the Brain-Immune-Gut (BIG) axis, the heart of PureTech's R&D strategy. We have demonstrated repeatedly that our talented team can turn momentous discoveries in the lab into novel therapeutic candidates designed to have maximum impact for patients - and then guide those candidates successfully through clinical study and into regulatory review.

Our most important affiliate milestone to date came in April 2019, when Gelesis received clearance from the US Food and Drug Administration to market its first product, PLENITY, a first-in-class aid for weight management.

PLENITY is the only prescription weight management product to be cleared for use by overweight adults with a BMI as low as 25 kg/m^2 (the beginning of the overweight range) through 40 kg/m^2, whether or not they have other weight-related health issues. That broad label makes PLENITY a brand new option for adults with overweight or obesity who may forego treatment due to the side effects or surgical nature of other available therapies.

Gelesis plans to initiate a targeted US launch of PLENITY in the second half of 2019 and anticipates PLENITY will be broadly available by prescription in the US in 2020.

PLENITY's clearance was a landmark moment for PureTech Health, as it showcased our ability to identify unique and transformational technologies and bring them all the way from concept to FDA clearance. It also has the potential to deliver significant value to our shareholders.

Another example of a frontier we are pioneering is Akili, which has developed a ground-breaking approach to leverage the plasticity of the brain and central nervous system (CNS) for therapeutic effect across multiple neurology and psychiatry conditions, including attention deficit hyperactivity disorder (ADHD), major depressive disorder (MDD), multiple sclerosis (MS), and autism spectrum disorders (ASD), through the activation of specific neural systems in the brain through precisely targeted sensory and motor stimuli.

As you will see throughout this report, these are just two examples of the excellent progress at PureTech Health as we advance ground-breaking science stemming from our focus on the BIG axis across our affiliates and our internal labs. Our nimble, entrepreneurial structure and commitment to unbiased drug development allows us to move resources quickly to capitalise on exciting ideas - and to move resources away from programmes where emerging data suggests they will not deliver the high bar for patient impact we set for our programmes.

Among our milestones in 2018:

· Our Internal division secured validating partnerships with two major pharmaceutical companies. We are now engaged in collaborative research with Roche to advance our milk-derived exosome technology. PureTech Health receives up to $36 million in upfront fees, R&D support and early preclinical payments; total payments in development milestones could exceed $1 billion. PureTech is also eligible to receive royalties on product sales under this partnership with Roche. Another partnership with Boehringer Ingelheim (BI), announced in April 2019, opens the potential for broad validation of our lymphatic targeting platform. The approach will be paired with BI's immuno-oncology therapies. Our scientific concept is that the body will direct therapies - once wrapped in the lymphatic targeting technology - into the lymphatic vasculature around the gut, offering a far more targeted way to ferry drugs directly to sites of immune cell education and trafficking. PureTech Health stands to receive up to $26 million, including upfront payments, research support, and preclinical milestones, and is eligible to receive more than $200 million in development and sales milestones, in addition to royalties on product sales. This partnership has the potential to improve the efficacy of important cancer drugs - and potentially a wide array of other therapeutics - for patients worldwide.

· Our affiliates also secured significant partnerships: Vedanta Biosciences announced a clinical trial collaboration to evaluate Bristol-Myers Squibb's PD-1 immune checkpoint inhibitor OPDIVO® (nivolumab) in combination with VE800, a patented and rationally-defined human bacterial consortium, in patients with advanced or metastatic cancers. Also, Alivio Therapeutics announced a deal in January 2019 with Purdue Pharma to advance Alivio's non-opioid therapy under development for the treatment of interstitial cystitis/bladder pain syndrome (IC/BPS). Alivio will receive up to $14.75 million in upfront fees and is eligible for future milestone and royalty payments. Purdue also has an option to invest in Alivio's next equity financing. This is another example of significant validation of an exciting new technology developed and advanced rapidly toward the clinic through the PureTech Health model. Additionally, in the March 2019 post-period, Akili entered into a strategic partnership with Shionogi & Co., Ltd. for the commercialisation of two of Akili's digital medicine product candidates in Japan and Taiwan. Under the terms of the agreement, Akili receives upfront payments totalling $20 million with potential milestone payments for Japan and Taiwan commercialisation of up to an additional $105 million in addition to substantial royalties.

· Our affiliates raised $274 million in financing transactions, including $242 million from third party investors. In the 2019 post-period, our affiliates have raised $140 million, of which $121.2 million was from third party investors.

· Our affiliates and collaborators published cutting-edge research in the top-tier journals, including multiple in Nature, Nature Neuroscience, Science Translational Medicine, Nature Communications, and Obesity, and were invited to present at top scientific conferences like AACR, ObesityWeek, ENDO, and EASL.

· Our affiliates were granted foundational IP with broad US patents in fields including oncology (Vor), inflammation (Alivio) and digital medicine (Akili and Sonde).

All this activity is ultimately directed toward delivering new medicines to patients, so I am especially pleased to have reported the conclusion of several successful clinical trials.

We are exceedingly proud of the achievements of our Affiliates, and of how we've leveraged those achievements to the benefit of all our operations. We are applying similar strategies and unbiased scientific rigour to identify, discover and develop promising new medicines in our Internal division, which is centred on tissue- selective immunomodulation for the treatment of oncology, autoimmune, and CNS-related disorders. Our lead candidate for the potential treatment of pancreatic, colorectal and other cancers is moving rapidly toward the clinic, and we expect to file an investigational new drug (IND) application in the first half of 2020 and we have been reviewing a few promising clinical-stage compounds that leverage our insights into these recently appreciated foundational immune mechanisms. We are fortunate to have the scientific leadership of our Chief Scientific Officer Joe Bolen, a leading immunologist who has successfully brought dozens of oncology and autoimmune medicines through the clinic, including several to FDA approval. Joe highlights the potential of our internal R&D efforts on the next page.

These successes advancing a portfolio of therapeutics built on our unique expertise around the BIG axis made 2018 an incredibly rewarding year for our team. We approach 2019 more energetic than ever about delivering on our vision, and as part of our ongoing evolution, we may also consider evaluating capital markets opportunities in the United States.

I'd like to thank the incredibly dedicated PureTech Health team, as well as our Directors and collaborators, for the terrific progress we've made this year. I am also appreciative for the support of our new and existing shareholders as we advance our shared vision of bringing high-value, first-in-class therapies to patients in need.

Daphne Zohar

Chief Executive

Letter from the Chief Scientific Officer

There's never been a more exciting time to be in drug development, and there are few places more rewarding to do that work than PureTech Health, where I believe we have created something special: an innovative yet critical and scientifically creative culture that has made us a true trailblazer.

Our affiliates have advanced our work targeting the Brain-Immune-Gut (BIG) axis through a variety of highly differentiated approaches, building a compelling evidence base for our key thesis that we can develop powerful new medicines by harnessing and modulating the crosstalk between these biological systems. PureTech Health is now moving to seize an even more defined leadership position by focusing internal R&D on a critical part of this axis: tissue-selective immunomodulation, which involves regionally directing and tuning the immune response according to medical need.

Our internal R&D focuses on two core areas. First, we seek to leverage the underappreciated and undeniably powerful lymphatic infrastructure to develop new modalities for treating autoimmune, oncology, and central nervous system (CNS) indications. Second, we are targeting newly discovered immunosuppressive mechanisms in oncology. Our goal with both programmes - as with all our R&D - is to develop and deliver novel therapies that will truly make a difference to patients living with incredibly difficult diseases. As excited as we get by advances in the lab, we are always thinking about that goal: leveraging our insights to develop transformational therapies that will improve patients' quality of life.

One of our core research priorities involves modulating foundational immune mechanisms to treat cancer, and we were pleased to have debuted our programmes with two accepted abstracts at the prestigious American Association for Cancer Research 2019 Annual Meeting.

Our lead programme in this category is LYT-200, an antibody designed to target Galectin-9, a protein that mediates multiple pathways of immunosuppression in tumours. Exciting preclinical data indicate that targeting Galectin-9 activates T cells in the patient's tumours - and significantly extends survival in animal models of pancreatic cancer. These data suggest that LYT-200 has strong single-agent activity; we intend to test it both as a monotherapy and potentially in combination with existing immuno-oncology therapies. We are moving rapidly through additional preclinical work on LYT-200 and expect to file an IND in the first half of 2020.

Just behind LYT-200 in our internal pipeline is LYT-210, an anti-Delta-1 antibody to target the gamma-delta T cell class, which is connected to immunosuppression in the tumour microenvironment. We believe this approach has strong potential in solid tumours such as pancreatic, colon and breast cancers, which harbour immunosuppressive gamma-delta T cells. Our preclinical data show that by targeting those cells, LYT-210 spurs activation of anti-tumour T cells. We believe LYT-210 can modulate both innate and adaptive immune responses and generate strong anti-tumour activity.

A second core research priority involves leveraging new insights into the lymphatic system to develop first-in-class therapeutics. For years, the vast network of lymphatic vasculature that extends throughout our bodies was overlooked, dismissed as a relatively unimportant cousin of the circulatory system. Conventional wisdom held that there was no lymphatic vasculature in the brain - until one of our scientific collaborators proved otherwise.

We now know that the lymphatic system plays a crucial role in programming immune cells for specific functions and trafficking them to specific tissues. The mesenteric lymph nodes around the intestine, for instance, programme as many as 70 per cent of circulating adaptive immune cells, which suggests potentially huge systemic ramifications from their dysfunction. Intervening in this process could give us a potentially powerful tool for modulating the immune system to develop therapeutics for gastrointestinal, CNS and autoimmune diseases, as well as immunotherapies for cancer.

Our rigorous focus on the lymphatic system also gives us an exciting new lens for exploring disease states and identifying new modalities of treatment. For example, we are advancing approaches to mask drugs as fats through our proprietary lymphatic targeting platform. Enabling the body to process therapeutics like fat may make it possible to bypass the primary metabolism of the liver and give the drug access to the mesenteric lymph nodes, the crucial 'regional immune centres', which could shunt the 'disguised' drug straight into systemic circulation. It's a prospect we're progressing with great excitement.

This approach recently received significant external validation when we announced a partnership with Boehringer Ingelheim to affix our lymphatic targeting platform to their GI-directed immunotherapies. The drug, now masked as a fat, should enter the lymphatic vasculature and from there, be ferried directly into the gut - and into direct contact with the tumour cells it's targeting. We are hopeful that this approach could improve the efficacy and reduce the toxicity of cancer drugs - and eventually, a wide array of other therapeutics - for patients worldwide.

Our selection of technologies has been highly strategic and informed by some of the most exceptional science I've seen in my career. Our CNS lymphatics technology was published as a cover story in Nature in 2018. The publication revealed that modulation of lymphatic function in the brain may prevent or delay diseases associated with ageing, including Alzheimer's and Huntington's. A subsequent publication in Nature Neuroscience then identified the direct connection between the brain and the meningeal lymphatic system, which point to a novel pathway to potentially address debilitating neuroinflammatory diseases such as multiple sclerosis. These publications built on the discovery of lymphatic vessels in the brain by our collaborator Dr Jonathan Kipnis. We hold an exclusive license to this technology platform and look forward to taking these recent discoveries into therapeutic development.

I am truly excited to continue moving forward our innovative R&D, with the urgent goal of delivering powerful new therapies to patients. Thanks to the foundation we've laid this past year, PureTech Health is positioned to deliver the next generation of immune modulating medicines. I look forward to sharing additional updates as we advance.

Joseph Bolen

Chief Scientific Officer

Letter from the Chief Financial Officer

In my prior position as a portfolio manager, I spent significant time evaluating companies in search of the most compelling mix of talent, technology, and need. When I met the team at PureTech Health in 2017, the Company immediately struck me as unique for its new R&D model and its genuinely novel technologies. This strength was further bolstered by the calibre of the team and the active involvement of a wide-ranging and expert scientific advisory network.

These are some of the most insightful and informed researchers and innovators in the world, pulling together to identify breakthrough opportunities. I joined the team in early 2018, drawn by their passion, experience, and commitment to maximising patient impact. In my first year on the team I have only grown more impressed with PureTech's capabilities and the depth of its value-creating activities.

Our affiliate structure, expert advisors, high-value partnerships, and nimble spirit of entrepreneurship enable us to capture and evaluate new technologies in a highly capital-efficient manner. We have demonstrated an ability to translate these technologies into promising therapeutic options for complex chronic diseases that could move the standard-of-care from management to prevention or potential cure.

In less than four years since listing, PureTech Health has taken multiple technologies to an advanced stage, a great achievement for any therapeutics developer, but even more remarkable for having occurred in such a capital efficient way and across a number of highly differentiated R&D programmes through our Affiliate division.

The PureTech Health team benefits from the strength of its operations and portfolio, creating a critical mass of expertise, creativity, and experience that continues to deliver value across the organisation. We see this value reflected every day in our culture, research excellence and entrepreneurial climate. This virtuous cycle has resulted in an internal R&D pipeline that has put us on the map as a pre-eminent Brain-Immune-Gut (BIG) axis biopharma of note.

With a strong capital base, PureTech Health is in an excellent position to deliver additional meaningful catalysts across its Affiliate and Internal divisions in the foreseeable future. In April 2018, PureTech Health successfully raised gross proceeds of approximately $100 million (£72 million) through a placing. As discussed in the Highlights of this report, our affiliates raised an aggregate sum of $274.0 million last year. The Group's cash reserves at 31 December 2018 were $425.0 million (30 June 2018: $416.9 million), of which $177.7 million (30 June 2018: $196.7 million) was held on a PureTech Health parent company level.

I look forward to the exciting milestones ahead and am proud to work with this team in building the capabilities and successes of a remarkable organisation. Special thanks to our shareholders, both long-term and new; we welcome your continued support in the years ahead.

Joep Muijrers

Chief Financial Officer

How PureTech Health is building value for investors

PureTech Health, which is comprised of PureTech Health plc and its affiliates (together, "the Group," or "the Company"), was founded with a vision to advance breakthrough science into promising new medicines for patients. Each programme was historically housed in an independent corporate entity, and cash was raised as needed from internal resources and validating third-party investors. Over the years, the Group has successfully executed against this vision by progressing BIG (Brain-Immune-Gut) medicines for serious diseases through human proof-of-concept to regulatory clearance. At the same time, the Group has also forged strategic relationships with major pharmaceutical companies and leading academic scientists and institutions. All of this has been achieved in a capital-efficient manner while maintaining significant ownership in each entity.

PureTech's proven track record has resulted in deep intellectual insights and financial resources that support two ways to advance new medicines. The first path is through the affiliates, which includes one product that has been cleared by the US Food and Drug Administration (FDA) (Gelesis' PLENITY™), as well as multiple other product candidates that have demonstrated clinical proof-of- concept. The affiliates have access to various avenues of funding to fuel their continued growth, including potential private rounds of equity financing, IPOs, strategic transactions, and industry partnerships at the global or regional levels. PureTech's advantageous position of having significant ownership in the affiliates creates near- to mid-term value as well as a source of non-dilutive funding at the parent company level.

The second path is through PureTech's internal labs. Derived from PureTech's deep understanding of the BIG axis, these programmes are centred on tissue-selective immunomodulation for the treatment of oncology, autoimmune, and CNS-related disorders, with a near-term focus on targeting newly-discovered, foundational immunosuppressive mechanisms in oncology and novel approaches that harness the lymphatic infrastructure. To date, PureTech Health has announced four of the programmes that have been consolidated into this internal pipeline, including two programmes inspired by the gut-immune interface that enable oral administration of a range of therapeutics (formerly known as Glyph and Calix), an immuno-oncology programme (formerly known as Nybo) and a central nervous system (CNS) lymphatics programme.

The Company will continue its sourcing activities to identify and review additional innovative approaches and clinical stage assets, that will also focus around tissue-selective immunomodulation to further grow this Internal pipeline. Equity investors can only access these internal programmes through shareholding on a PureTech Health parent company level, and the Company may also consider evaluating capital markets opportunities in the United States.

PureTech's affiliates and internal pipeline are connected through a shared focus on the BIG axis and a mission to address some of the greatest medical needs. Together with a seasoned management team, an outstanding Board, and leading scientific advisors, the Company has made exceptional progress in 2018 across both divisions towards executing this vision.

Affiliates

PureTech's affiliates have made excellent progress over the course of 2018, with multiple programmes advancing in clinical development and approaching commercialisation.

Clinical stage affiliates

In 2018, Gelesis and Akili filed applications with the US FDA for review of their lead product candidates in weight management and paediatric attention deficit hyperactivity disorder (ADHD), respectively. In the April 2019 post-period, Gelesis received FDA clearance for PLENITY™ as an aid for weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise. Gelesis plans to initiate a targeted US launch of PLENITY in the second half of 2019 and anticipates PLENITY will be broadly available by prescription in the US in 2020. Gelesis also filed PLENITY for marketing authorisation in Europe in the first quarter of 2019 and expects to receive feedback in 2019. Building on its success with PLENITY, Gelesis also advanced its broad pipeline of additional product candidates based on its novel mechanobiology platform in 2018. Gelesis200, a hydrogel optimised for weight loss and glycaemic control in people with type 2 diabetes and prediabetes, is currently being evaluated in a Phase 2 study that is expected to read out in 2020. Gelesis also completed preclinical work on its third product candidate, GS300, which is being evaluated for the treatment of non-alcoholic steatohepatitis (NASH) and non-alcoholic fatty liver disease (NAFLD). A proof-of- concept study is expected to begin in 2019. Preclinical work on GS400 for inflammatory bowel disease (IBD) and intestinal mucositis is ongoing, and a pivotal study of GS500 in chronic idiopathic constipation (CIC) is expected to begin in 2020. To support this ongoing clinical and preclinical work and build towards commercialisation prior to FDA clearance, Gelesis completed a $30 million raise in March 2018.

In addition to filing with the US FDA for review of lead product candidate AKL-T01 in paediatric ADHD, Akili progressed a number of other product candidates from its industry-leading pipeline of digital medicines to treat cognitive deficiency and improve symptoms associated with medical conditions across neurology and psychiatry. In late 2018, Akili successfully completed a Phase 2 study of AKL-T03 in major depressive disorder (MDD) and a proof-of-concept study of AKL-T03 in multiple sclerosis. Based on the results of these studies, Akili plans to initiate larger clinical studies in both indications in 2020. Results of a successful pilot study of Akili's AKL-T02, a third product candidate being evaluated in children with autism spectrum disorder (ASD) with co-occurring ADHD, were published in December. Early-stage clinical evaluation of Akili's technology platform in additional indications is also underway, including in Parkinson's disease, traumatic brain injury, ICU delirium, and lupus. In addition to this clinical work, Akili is developing complementary and integrated clinical monitors and measurement-based care applications. To further advance development and deployment of its pipeline, Akili completed a $68 million financing in 2018. In the March 2019 post-period, Akili entered into a strategic partnership with Shionogi & Co., Ltd. for the commercialisation of two of Akili's digital medicine product candidates, AKL-T01 and AKL-T02 (in development for children with autism spectrum disorder), in Japan and Taiwan. Under the terms of the agreement, Akili will build and own a newly created R&D and commercial platform and receives upfront payments totalling $20 million with potential milestone payments for Japan and Taiwan commercialisation of up to an additional $105 million in addition to substantial royalties.

resTORbio continued to advance its lead product candidate, RTB101, a selective inhibitor of the target of rapamycin complex 1 (TORC1), for the improvement of the function of the ageing immune system. Following its January 2018 IPO on NASDAQ, resTORbio announced positive topline results from its dose-ranging Phase 2b clinical trial of RTB101 in elderly patients at increased risk of morbidity and mortality associated with respiratory tract infections (RTIs). Additional 24-week data from the Phase 2b study was released in the second half of 2018, and in the March 2019 post-period, resTORbio announced a positive end of Phase 2 meeting with the FDA. The initiation of a global Phase 3 programme for RTB101 is expected to begin in the second quarter of 2019. In the April 2019 post-period, resTORbio also initiated a Phase 1b/2a study in Parkinson's disease.

Karuna has also completed work in 2018 to advance its pipeline based on the targeting of muscarinic cholinergic receptors for the treatment of psychosis and cognitive impairment across central nervous system (CNS) disorders, including schizophrenia, psychosis in Alzheimer's disease, and pain. In October, Karuna announced the initiation of a Phase 2 study of KarXT (Karuna-Xanomeline-Trospium), its lead product candidate, for the treatment of psychosis in schizophrenia, with results anticipated by the end of 2019. Karuna is using a proprietary co-formulation of KarXT in its Phase 2 study that successfully demonstrated tolerability at a dose level exceeding those shown to be efficacious in previous studies of xanomeline alone. Additionally, Karuna plans to initiate a Phase 1b experimental pain study in healthy volunteers and clinical work towards treating Alzheimer's disease psychosis later this year. In August 2018, Karuna successfully completed a $42 million Series A financing round, including the issuance of $22 million in shares upon conversion of debt into equity, and in the 2019 post- period the company also completed an $82 million Series B, including the issuance of $7 million in shares upon conversion of debt into equity.

During the past year, Vedanta Biosciences rapidly advanced its pipeline of rationally-defined bacterial consortia-based product candidates to address immune-mediated diseases, including results from one clinical study and the initiation of two additional studies. In October, the company announced results from a successful Phase 1a/1b study of lead candidate VE303 in recurrent Clostridium difficile (rCDI). A Phase 2 study of VE303 was initiated in December, and results are anticipated in 2020. In November, Vedanta Biosciences also initiated a Phase 1 clinical study of inflammatory bowel disease (IBD) candidate VE202 with Janssen Biotech, Inc., which licensed VE202 from Vedanta Biosciences in 2015 as part of a collaboration that has development and commercialisation milestone payments of up to a total of $339 million, in addition to royalty payments. Top-line results from this study are anticipated in the second half of 2019. In December, the company announced a clinical collaboration to evaluate Bristol-Myers Squibb's programmed death-1 (PD-1) immune checkpoint inhibitor Opdivo (nivolumab) in combination with Vedanta Biosciences' VE800, a rationally-defined human bacterial consortium, in patients with advanced or metastatic cancers. Vedanta Biosciences will maintain control of its VE800 programme, including global R&D and commercial rights, and a Phase 1b/2 study is expected to begin mid-2019. Preclinical research supporting the identification and development of VE800 was published in one of the top scientific journals Nature in the January post-period. Vedanta Biosciences also announced a $27 million financing round in December to advance its clinical pipeline of microbiome-derived product candidates. Vedanta Biosciences anticipates the initiation of a Phase 1b/2 study of product candidate VE416 in food allergy in 2019.

Sonde has advanced its vocal biomarker technology, which has demonstrated the potential to effectively screen and monitor for disease using information obtained from an individual's voice on commonly-owned devices. Sonde has made its scalable cross-platform mobile research app and administrator interface available to academic collaborators and study participants. Sonde generated and analysed voice data from over 14,000 subjects for the detection of depression, suicidality, asthma, congestive heart failure, and Parkinson's disease. In the April 2019 post-period, Sonde completed a $16 million Series A round, including the issuance of $6 million in shares upon conversion of debt into equity, to expand its capability across additional health conditions and device types and to fund commercialisation activities.

Follica has made good progress towards the initiation of a pivotal study in androgenetic alopecia. The company expects to begin a pivotal study in 2019 following the completion of an ongoing optimisation study.

Preclinical affiliates

Alivio, Vor, and Entrega have all made significant progress towards human clinical trials in 2018.

Alivio advanced its inflammation- targeting immunomodulation platform towards the clinic, which received two US patents broadly covering compositions of matter and other aspects of the inflammation-targeting microfibre materials with embedded molecules of interest. Alivio's pipeline includes candidates for interstitial cystitis/bladder pain syndrome (IC/ BPS), inflammatory pouchitis, and inflammatory bowel disease (IBD), and the platform technology has been validated in multiple preclinical models, including in models of osteoarthritis, the results of which were published in one of the leading scientific journals, Nature Communications, in April. Additionally, Alivio's work in IC/BPS with Hunner's lesions was awarded a $3.3 million US Department of Defense (DoD) Technology/Therapeutic Development grant in September, which supports preclinical research and development activities for product candidate, ALV-107. ALV-107 is also being advanced under a partnership with Purdue Pharma LP, which was announced in the January 2019 post-period. Under the terms of the agreement, Alivio will receive up to $14.75 million in upfront and near-term license exercise payments and is eligible to receive royalties on product sales and over $260 million in research and development milestones. Purdue also has an option to collaborate on a limited number of additional compounds utilising Alivio's inflammation-targeting technology.

Vor has also progressed its engineered haematopoietic stem cell (HSC) therapy platform, and in November the company was granted a first-in-class patent broadly covering this technology platform for the treatment of haematological malignancies. This foundational patent is the first of its kind in the immuno-oncology field and it broadly covers compositions and therapeutic methods related to using novel modified HSCs to enable targeted immunotherapies. In the February post-period, Vor announced a $42 million Series A financing round, the proceeds from which will be used to advance Vor's lead candidate for the treatment of acute myeloid leukaemia (AML) towards the clinic, and to further build its pipeline to treat haematologic malignancies.

Entrega has continued to progress its platform for the oral delivery of biologics, vaccines, and other drugs that are otherwise not efficiently absorbed when taken orally. Entrega's research collaboration with Eli Lilly progressed over the past year as they worked to apply Entrega's peptide delivery technology to certain Lilly therapeutic candidates. Entrega has also generated proof-of-concept data demonstrating delivery of therapeutic peptides into the bloodstream of large animals, with additional formulation work in large animals ongoing.

In the January 2019 post-period, PureTech Health made the decision to de-prioritise Commense. PureTech Health has decided to retain all intellectual property, but it will not allocate further resources to this programme pending the outcome of ongoing preclinical research with academic collaborators.

Internal R&D

PureTech Health has also made progress advancing its pipeline of internal programmes centred on tissue-selective immunomodulation for the treatment of oncology, autoimmune, and CNS-related disorders.

PureTech's lead internal programme is an immuno-oncology approach focused on developing two first-in-class, fully human monoclonal antibodies that are aimed at countering fundamental mechanisms of immunosuppression in cancer. LYT-200 is a human IgG4 directed against Galectin-9 which exerts immunosuppression by binding to multiple partners, facilitating a tumour-permissive microenvironment. LYT-200 has the potential to target difficult to treat cancers that do not respond well to approved checkpoint inhibitors, such as pancreatic cancer, cholangiocarcinoma, and certain types of colon cancer. The programme has rapidly progressed to select and characterise the lead clinical candidate. Preclinical pharmacology efficacy/mode of action studies have been executed, with toxicology and analytics under way, to enable the filing of an investigational new drug (IND) application in the first half of 2020. The second immuno-oncology candidate, LYT-210, is directed against immunosuppressive γδ (gamma delta) T cells, which have a distinct phenotype, as well as functional properties to make them uniquely targetable in cancer. PureTech Health has demonstrated that targeting immunosuppressive γδ T cells in multiple aggressive solid tumours that do not respond to checkpoint inhibitors re-activates effector T cells. In the April 2019 post-period, PureTech Health presented two posters detailing LYT-200 and LYT-210 development and preclinical efficacy data at the prestigious American Association for Cancer Research (AACR) 2019 Annual Meeting.

PureTech Health has also progressed its milk exosome-based technology, which is designed to facilitate the oral administration of complex payloads such as nucleic acids, peptides and small molecules. In July, the Company announced a multiyear collaboration with Roche to advance this technology for the oral administration of Roche's LNA antisense oligonucleotide platform. Under the terms of the agreement, PureTech Health receives up to $36 million, including upfront payments, research support and early preclinical milestones. PureTech Health is also eligible to receive development milestone payments of over $1 billion, in addition to sales milestones and royalties.

PureTech Health is also developing a lymphatic targeting approach that uses the body's natural lipid transport mechanisms to substantially enhance the transport of orally-administered drugs into the lymphatic system. This proprietary platform achieves this by reversibly attaching a dietary fat to the drug of interest via a linker optimised to release the drug at the site of interest. PureTech Health has successfully extended this approach to encompass new drugs and linker chemistries, which have demonstrated promising selective lymphatic targeting in preclinical studies. Successful pharmacokinetic studies in large animals are supportive of translation of this technology into higher species. In the April 2019 post-period PureTech Health announced a collaboration with Boehringer Ingelheim (BI) to advance BI's immuno-oncology product candidates using this lymphatic targeting platform. Under terms of the agreement, PureTech Health will receive up to $26 million, including upfront payments, research support, and preclinical milestones, and is eligible to receive more than $200 million in development and sales milestones, in addition to royalties on product sales.

Foundational science underlying another internal programme centred around the central nervous system (CNS) lymphatics system was published by our collaborator in July as the cover story in the prestigious scientific journal Nature. The research revealed that modulation of lymphatic function in the brain may prevent or delay diseases associated with ageing, including Alzheimer's disease, Huntington's disease and age-associated cognitive decline. In September, additional research from our collaborator was featured in Nature Neuroscience that identified the physical connection between the brain's fluid reservoirs and the meningeal lymphatics, through which immune cells traffic out of the central nervous system (CNS). The publication also demonstrated that modulation of this trafficking pattern has the potential to improve symptoms in many neuroinflammatory conditions, such as multiple sclerosis (MS).

Risk management

The execution of the Group's strategy is subject to a number of risks and uncertainties. As a developer of advanced and early stage technologies addressing significant unmet medical needs, the Group inherently operates in a high-risk environment. The overall aim of the Group's risk management effort is to achieve an effective balancing of risk and reward, although ultimately no strategy can provide an absolute assurance against loss.

Risks are formally identified by the Board and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible effect on the Group. The principal risks that the Board has identified as the key business risks facing the Group are set out in the table below along with the consequences and mitigation of each risk. Any number of these could have a material adverse effect on the Group or its financial condition, development, results of operations, subsidiary companies and/or future prospects.

1. The science and technology being developed or commercialised by some of the Group's businesses may fail and/or the Group's businesses may not be able to develop their intellectual property into commercially viable products or technologies.

There is also a risk that certain of the businesses may fail or not succeed as anticipated, resulting in significant decline of the Group's value.

Impact: The failure of any of the Group's businesses could decrease the Group's value. A failure of one of the major businesses could also impact on the perception of the Group as a developer of high value technologies and possibly make additional fundraising at the PureTech or subsidiary company level more difficult.

Mitigation: Before making any decision to develop any technology, extensive due diligence is carried out by the Group that covers all the major business risks, including technological feasibility, market size, strategy, adoption and intellectual property protection.

A capital efficient approach is pursued such that some level of proof of concept has to be achieved before substantial capital is committed and thereafter allocated. Capital deployment is generally tranched so as to fund programmes only to their next value milestone. Members of the Group's Board serve on the Board of directors of each business so as to continue to guide each business's strategy and to oversee proper execution thereof. The Group uses its extensive network of advisors to ensure that each business has appropriate domain expertise as it develops and executes on its strategy. Additionally, the Group has a diversified model with numerous assets such that the failure of any one of the Group's businesses would not result in a significant decline of the Group's value.

2. Clinical trials and other tests to assess the commercial viability of a product candidate are typically expensive, complex and time-consuming, and have uncertain outcomes.

Conditions in which clinical trials are conducted differ, and results achieved in one set of conditions could be different from the results achieved in different conditions or with different subject populations. If the Group's product candidates fail to achieve successful outcomes in their respective clinical trials, the products will not receive regulatory approval and in such event cannot be commercialised. In addition, if the Group fails to complete or experiences delays in completing clinical tests for any of its product candidates, it may not be able to obtain regulatory approval or commercialise its product candidates on a timely basis, or at all.

Impact: A critical failure of a clinical trial may result in termination of the programme and a significant decrease in the Group's value. Significant delays in a clinical trial to support the appropriate regulatory approvals could impact the amount of capital required for the business to become fully sustainable on a cash flow basis.

Mitigation: The Group has a diversified model such that any one clinical trial outcome would not significantly impact the Group's ability to operate as a going concern. It has dedicated internal resources to establish and monitor each of the clinical programmes in order to try to maximise successful outcomes. Significant scientific due diligence and preclinical experiments are done prior to a clinical trial to attempt to assess the odds of the success of the trial. In the event of the outsourcing of these trials, care and attention is given to assure the quality of the vendors used to perform the work.

3. The pharmaceutical industry is highly regulated. Regulatory authorities across the world enforce a range of laws and regulations which govern the testing, approval, manufacturing, labelling and marketing of pharmaceutical products. Stringent standards are imposed which relate to the quality, safety and efficacy of these products. These requirements are a major determinant of whether it is commercially feasible to develop a drug substance or medical device given the time, expertise, and expense which must be invested. The Group may not obtain regulatory approval for its products. Moreover, approval in one territory offers no guarantee that regulatory approval will be obtained in any other territory. Even if products are approved, subsequent regulatory difficulties may arise, or the conditions relating to the approval may be more onerous or restrictive than the Group expects.

Impact: The failure of one of the Group's products to obtain any required regulatory approval, or conditions imposed in connection with any such approval, may result in a significant decrease in the Group's value.

Mitigation: The Group manages its regulatory risk by employing highly experienced clinical managers and regulatory affairs professionals who, where appropriate, will commission advice from external advisors and consult with the regulatory authorities on the design of the Group's preclinical and clinical programmes. These experts ensure that high quality protocols and other documentation are submitted during the regulatory process, and that well-reputed contract research organisations with global capabilities are retained to manage the trials. Additionally, the Group has a diversified model with numerous assets such that the failure to receive regulatory approval or subsequent regulatory difficulties with respect to any one product would not result in a significant decline of the Group's value.

4. There is a risk of adverse reactions with all drugs and medical devices. If any of the Group's products are found to cause adverse reactions or unacceptable side effects, then product development may be delayed, additional expenses may be incurred if further studies are required, and, in extreme circumstances, it may prove necessary to suspend or terminate development. This may occur even after regulatory approval has been obtained, in which case additional trials may be required, the approval may be suspended or withdrawn or additional safety warnings may have to be included on the label. Adverse events or unforeseen side effects may also potentially lead to product liability claims being raised against the Group as the developer of the products and sponsor of the relevant clinical trials.

Impact: Adverse reactions or unacceptable side effects may result in a smaller market for the Group's products, or even cause the products to fail to meet regulatory requirements necessary for sale of the product. This, as well as any claims for injury or harm resulting from the Group's products, may result in a significant decrease in the Group's value.

Mitigation: The Group designs its products with safety as a top priority and conducts extensive preclinical and clinical trials which test for and identify any adverse side effects. Insurance is in place to cover product liability claims which may arise during the conduct of clinical trials.

5. The Group may not be able to sell its products profitably if reimbursement from third-party payers such as private health insurers and government health authorities is restricted or not available because, for example, it proves difficult to build a sufficiently strong economic case based on the burden of illness and population impact.

Third-party payers are increasingly attempting to curtail healthcare costs by challenging the prices that are charged for pharmaceutical products and denying or limiting coverage and the level of reimbursement. Moreover, even if the products can be sold profitably, they may not be accepted by patients and the medical community.

Alternatively, the Group's competitors - many of whom have considerably greater financial and human resources - may develop safer or more effective products or be able to compete more effectively in the markets targeted by the Group. New companies may enter these markets and novel products and technologies may become available which are more commercially successful than those being developed by the Group.

Impact: The failure of the Group to obtain reimbursement from third party payers, as well as competition from other products, could significantly decrease the amount of revenue the Group may receive from product sales for certain products. This may result in a significant decrease in the Group's value.

Mitigation: The Group engages reimbursement experts to conduct pricing and reimbursement studies for its products to ensure that a viable path to reimbursement, or direct user payment, is available. The Group also closely monitors the competitive landscape for all of its products and adapts its business plans accordingly.

6. The Group may not be able to obtain patent protection for some of its products or maintain the secrecy of its trade secrets and know-how. If the Group is unsuccessful in doing so, others may market competitive products at significantly lower prices. Alternatively, the Group may be sued for infringement of third-party patent rights. If these actions are successful, then the Group would have to pay substantial damages and potentially remove its products from the market. The Group licenses certain intellectual property rights from third parties. If the Group fails to comply with its obligations under these agreements, it may enable the other party to terminate the agreement. This could impair the Group's freedom to operate and potentially lead to third parties preventing it from selling certain of its products.

Impact: The failure of the Group to obtain patent protection and maintain the secrecy of key information may significantly decrease the amount of revenue the Group may receive from product sales. Any infringement litigation against the Group may result in the payment of substantial damages by the Group and result in a significant decrease in the Group's value.

Mitigation: The Group spends significant resources in the prosecution of its patent applications and has an in-house patent counsel. Third party patent filings are monitored to ensure the Group continues to have freedom to operate. Confidential information (both of the Group and belonging to third parties) is protected through use of confidential disclosure agreements with third parties, and suitable provisions relating to confidentiality and intellectual property exist in the Group's employment and advisory contracts. Licenses are monitored for compliance with their terms.

7. The Group expects to continue to incur substantial expenditure in further research and development activities. There is no guarantee that the Group will become profitable, either through commercial sales, strategic partnerships or sales of a business, and, even if it does so, it may be unable to sustain profitability.

Impact: The strategic aim of the business is to generate profits for its shareholders through the commercialisation of technologies through product sales, strategic partnerships and sales of businesses. The timing and size of these potential inflows is uncertain, and should revenues from our activities not be achieved, or in the event that they are achieved but at values significantly less than the amount of capital invested, then it would be difficult to sustain the Group's business.

Mitigation: The Group retains significant cash in order to support funding of its affiliate companies and its Internal division. The Group has close relationships with a wide group of investors and strategic partners to ensure it can continue to access the capital markets and additional monetisation and funding for its businesses. Additionally, its affiliate companies are able to raise money directly from third party investors and strategic partners.

8. The Group operates in complex and specialised business domains and requires highly qualified and experienced management to implement its strategy successfully. The Group and many of its businesses are located in the United States which is a highly competitive employment market.

Moreover, the rapid development which is envisaged by the Group may place unsupportable demands on the Group's current managers and employees, particularly if it cannot attract sufficient new employees. There is also risk that the Group may lose key personnel.

Impact: The failure to attract highly effective personnel or the loss of key personnel would have an adverse impact on the ability of the Group to continue to grow and may negatively affect the Group's competitive advantage.

Mitigation: The Board annually seeks external expertise to assess the competitiveness of the compensation packages of its senior management. Senior management continually monitors and assesses compensation levels to ensure the Group remains competitive in the employment market. The Group maintains an extensive recruiting network through its Board members, advisors and scientific community involvement. The Group also employs an executive as a full-time in-house recruiter.

Brexit

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, whereby the UK electorate voted to leave the EU (Brexit). The progress of current negotiations between the UK Government and the EU and the ratification of the outcome of those negotiations by the UK and EU parliaments will likely determine the future terms of the UK's relationship with the EU, as well as to what extent the UK will be able to continue to benefit from the EU's single market and other arrangements.

Although the Board has considered the potential impact of Brexit as part of its risk management, given that the Group principally operates in the United States and holds substantially all assets in US dollars, the Group does not believe there is significant risk associated with Brexit.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By Order of the Board

Stephen Muniz

Company Secretary

16 April 2019

Financial Review

During 2018, PureTech Health continued to prudently deploy its cash reserves to advance both its affiliate and internal pipeline. The Company has progressed research and clinical activities across the pipeline in line with its forecasted expectations and continues to invest in infrastructure to support the potential launches (pending regulatory approval) of both Gelesis100 for the treatment of obesity and AKL-T01 for the treatment of paediatric ADHD.

Additionally, the Company continued to attract capital both at PureTech Health and the Affiliates division. $97.5 million (net) proceeds were raised at the PureTech Health level as part of the Company's offering in April 2018 which will be used to advance both the Affiliates and Internal divisions. In addition to the PureTech raise, $242.4 million was attracted from third-party, validating, financial and strategic investors across the Group in 2018, resulting in total attracted capital for the Group of $274.0 million. This included resTORbio's initial public offering (IPO), which generated $97.8 million of gross proceeds (including PureTech's $3.5 million investment).

Additionally, PureTech Health has continued to develop its Internal division focusing on the Brain-Immune-Gut (BIG) Axis. As a result, the Company entered into a multiyear collaboration agreement with Roche to advance PureTech's milk-derived exosome platform technology. Under the terms of the agreement, PureTech Health will receive up to $36.0 million, including upfront payments, research support, and early preclinical milestones. PureTech Health will be eligible to potentially receive development milestone payments of over $1.0 billion and additional sales milestones and royalties for an undisclosed number of products.

The Affiliates division also had key events in 2018. Akili and Gelesis filed applications with the FDA for review of their lead product candidates and Gelesis received FDA clearance for PLENITY as an aid for weight management in April 2019. resTORbio completed its IPO on NASDAQ and Gelesis, Vedanta, Akili and Karuna each completed major equity financings in 2018.

The Group continues to source and develop new ideas as well as execute on pipeline opportunities. In addition, PureTech Health continues to evolve shared functions to support the increased level of activities of its Internal division and Affiliates division.

Financial Highlights

	2018 $ millions	2017 $ millions
Cash Reserves		
Group Cash Reserves - Alternative Performance Measure (APM)1,2	425.0	242.1
Consolidated Cash Reserves2	250.9	188.7
PureTech Level Cash Reserves2	177.7	126.7

Results of Operations

Revenue	20.7	2.5
Operating Loss	(104.0)	(115.4)
Adjusted Operating Loss3	(88.6)	(100.8)
Loss for the Period	(70.7)	(75.1)
Adjusted Loss for the Period4	(85.4)	(99.6)

1 Group Cash Reserves is an alternative performance measure (APM) which includes cash reserves held at deconsolidated affiliates of $174.0 million that are not included in the consolidated statement of financial position. Group Cash Reserves is therefore considered to be more representative of the Group's cash available to advance product candidates within the full breadth of its operations, as the cash held at deconsolidated affiliates not included in Consolidated Cash Reserves will be invested in activities that could ultimately result in value accretion for the Group.

2 Cash Reserves includes cash balances and short-term investments and long-term investments, but does not include future committed tranches of previously closed financings which will be received in future periods. PureTech Level Cash Reserves represent cash and short-term investments held at PureTech Health LLC, PureTech Management, Inc., PureTech Health PLC, and PureTech Securities Corporation.

3 Stated before the effect of share-based payment of $12.6 million (2017 - $11.8 million), depreciation of $2.5 million (2017 - $1.6 million), amortisation of $0.3 million (2017 - $0.5 million) and impairment of tangible assets of nil (2017 - $0.6 million). These items are non-cash charges. Adjusted operating loss is therefore considered to be more representative of the operating performance of the Group. Non-cash items are excluded due to the nature of the Group in that the businesses require the cash investment in order to operate and continue with their R&D activities and this is therefore deemed to be an appropriate alternative performance measure.

4 Stated before the charges discussed in note 3 above as well as the fair value accounting income of $22.6 million (2017 - charge of $71.7 million) and finance cost - subsidiary preferred shares of $0.1 million (2017 - $9.5 million) and share of net loss of associates accounted for using the equity method of $11.5 million (2017 - $17.6 million). Adjusted Loss for the Period is also adjusted for the non-cash gain from the deconsolidation of subsidiary of $41.7 million (2017 - $85.0 million) and a Loss on investments held at fair value of $20.3 million for the year ended 31 December 2018, compared to a Gain on available for sale investments of $57.3 million for the year ended 31 December 2017. These items are also non-cash expenses and income, respectively. Adjusted loss for the period is therefore considered to be more representative of the operating performance of the Group.

Revenue

Revenue for 2018 relates primarily to Vedanta's collaboration agreement and grant awards, the Internal division's Roche agreement and Entrega's research agreement. Future revenues may be earned under existing and license and collaboration agreements, including pursuant to the Roche agreement. Management evaluates opportunities to enter new license and collaboration agreements with the aim of balancing the value of these partnerships and retaining ownership in our programmes to achieve meaningful milestones. Revenue from license and collaboration agreements during the development and approval period is typically driven by achievement of contractual milestones, which tend to be event-driven. Furthermore, grant revenues are typically associated with specific deliverables that have finite timelines. Therefore, significant period to period changes in revenue are to be expected and are not necessarily indicative of the Consolidated Group's overall revenue trend.

Operating Expenses

Adjusted Operating Expenses (before the impact of the non-cash items noted in Footnote 3 of the Results of Operations Schedule above) increased by 5.7 per cent on a year-over-year basis. The largest driver of the increase was related to an increase in General and Administrative Spending, which is a result of the pre-launch preparations for Akili and additional costs related to Vedanta Biosciences as well as PureTech Health, which grew in line with expectations. Adjusted Research & Development Expense (APM) increased by 5.0 per cent on a year-over-year basis.

The Group carried out development activities to advance its Affiliates division and Internal division by initiating new clinical trials, expanding its current clinical studies and increasing headcount, which resulted in an increase of $5.7 million, or 8.0 per cent, in research and development expenses for the year ended 31 December 2018, compared to the year ended 31 December 2017.

General and administrative expenses increased by $1.1 million, or 2.3 per cent, for the year ended 31 December 2018, compared to the year ended 31 December 2017. The slight year-over-year increase in general and administrative expenses reflects the ability of the Group to leverage its existing infrastructure.

The 2017 Adjusted Operating Expenses included resTORbio, which was deconsolidated as of November 2017, and six months of expense for Akili, which was deconsolidated as of 8 May 2018. Excluding these two entities in both periods, Adjusted Operating Expenses increased by 37.2 per cent, which included a 44.0 per cent increase to research and development expenses and a 26.8 per cent increase to general and administration costs. Research and development expense growth excluding these two subsidiaries was mainly driven by Vedanta Biosciences, Karuna and the Internal division.

The Directors anticipate that operating expenses, particularly research and development-related expenses, will continue to increase as the Consolidated Group advances its pipeline. These operating expenses will include regulatory activities, preparation for the potential commercial launch of Gelesis, clinical and preclinical studies, intellectual property registration and the cost of acquiring, developing and manufacturing clinical study materials. General and administrative costs, consisting primarily of personnel-related costs, lease costs and professional fees, are anticipated to grow as well, and are primarily attributed to both marketing and sales efforts for Gelesis as well as increases in overall corporate expenses.

Net finance costs

The Consolidated Group's results of finance activities before consideration of the items noted in Footnote 4 in the Results of Operations Schedule above increased by $2.2 million to $3.4 million for the year ended 31 December 2018, compared to $1.2 million for the year ended 31 December 2017. The income in both periods is related to interest received on short-term investments held at PureTech Health and certain subsidiaries. The Consolidated Group, as described below, has adopted a conservative cash management policy and invested the significant cash reserves generated since the IPO in US Treasuries, which resulted in $3.4 million and $1.7 million of income from interest earned on these securities for the years ended 31 December 2018 and 2017, respectively.

On 1 January 2018 the Consolidated Group adopted IFRS 9. Under IFRS 9, the Consolidated Group reassessed certain financial instruments and whether it qualified for fair value accounting, and concluded that it did qualify. As a result of the adoption of IFRS 9, there was a cumulative effect adjustment to equity of $12.2 million. The net finance income in 2018 was mainly attributable to fair value adjustments associated with third- party financial instruments, including preferred stock, convertible notes, and warrants held at the subsidiary level. Consistent with IAS 39, when the Consolidated Group realises a change in the value of the subsidiaries that are consolidated for accounting purposes, income or expense will be recognised when there are external preferred shareholders. The Consolidated Group continues to hold certain financial instruments at amortised cost, resulting in modest costs categorised as Finance cost - subsidiary preferred shares. These costs are expected to be insignificant in future periods.

The income generated within Finance income/(costs) - fair value accounting during 2018 is a result of the reduction of the fair value liability, which is primarily attributable to a decrease in the third-party liability for Akili. The third-party liability attributable to the Akili shares decreased as a result of the proceeds from the Series C financing having first order liquidation preference, decreasing the fair value of the other outstanding preferred securities. Excluding Akili, the fair value of liabilities decreased by $7.8 million, attributable to the growth in the underlying value of the subsidiaries.

The balance of subsidiary preferred stock held by external parties, and therefore the related balance of the aggregate liquidation preference, decreased during the first half of 2018 due to the deconsolidation of Akili and the asset sale of The Sync Project to Bose Corporation, which was partially offset by new issuances of Series 2 Growth Preferred Stock by Gelesis. Refer to note 15 in the financial statements for more information.

During the year ended 31 December 2018, the Group realised a year-over-year increase of $94.3 million as it recognised finance income of $22.6 million, compared to a finance cost of $71.7 million for the year ended 31 December 2017. The increase resulted from the change in fair value of the Group's preferred shares and convertible note liabilities

Deconsolidation of Akili Interactive Labs

In May 2018, Akili completed the first closing of its Series C Preferred Stock financing, which reduced PureTech's voting ownership percentage of Akili to 44.7 per cent (from 53.7 per cent), triggering deconsolidation. Although PureTech Health no longer controls Akili, PureTech Health maintains significant influence over the Company's strategy and the direction of the Company by virtue of its large, albeit non-majority, ownership stake and continued representation on Akili's Board of Directors.

Upon deconsolidation, PureTech Health recognised the fair value of the Series A-1, Series A-2, and Series B Preferred Stock (collectively the "Akili Preferred Stock") held in Akili, resulting in a gain of $41.7 million. The Akili Preferred Stock was classified as an Investment held at fair value upon deconsolidation. On 9 August 2018, Akili completed a second closing of its Series C Preferred Stock financing, which raised an additional $13.0 million. This resulted in PureTech's voting ownership decreasing to 41.9 per cent.

PureTech Health does not hold common stock in Akili and therefore is not subject to equity method accounting under IAS 28. PureTech Health will continue to account for the Akili Preferred Stock as an Investment held at fair value until such time that

Akili Preferred Stock is converted to common stock.

Refer to note 5 in the financial statements for further information.

Financial Position

Cash and short-term investments make up a significant portion of the Consolidated Group's current assets of $259.8 million for the year ended 31 December 2018, compared to $198.1 million for the year ended 31 December 2017. Amounts that cannot be immediately deployed have been used to purchase US Treasuries with durations of less than two years. The consolidated cash reserves, consisting of cash, cash equivalents and US Treasuries, which are classified as both long and short term, were $250.9 million at 31 December 2018, compared to $188.7 million for the year ended 31 December 2017. Of this amount, $177.7 million (31 December 2017 - $126.7 million) of cash reserves is held at the PureTech Health level to fund activities of the Group, including supporting future activities, progressing affiliate programmes toward meaningful milestone events, funding the internal pipeline and maintaining an appropriate infrastructure.

Other significant items impacting the Consolidated Group's financial position include:

· Investments held at fair value and Investments in associates increased by $38.4 million to $169.8 million, primarily driven by the deconsolidation of Akili but partially offset by the fair value decrease and equity method accounting of the Series A Preferred Stock in resTORbio, which was converted to common stock at the time of resTORbio's IPO. PureTech holds 9,800,396 shares of resTORbio's common stock, which is publicly traded on NASDAQ.

· Current Liabilities decreased by $8.1 million, or 3.0 per cent, to $265.8 million for the year ended 31 December 2018, compared to $273.9 million for the year ended 31 December 2017, which is primarily attributable to the change in fair value of the preferred shares and convertible notes held by subsidiaries, partially offset by additional issuances of these financial instruments during the year ended 31 December 2018.

Financial Position

	2018	2017
	$ millions	$ millions
Non-current assets	182.0	141.7
Current assets	259.8	198.1
Total assets	441.8	339.8
Non-current liabilities	9.0	6.4
Total current liabilities	265.8	273.9
Total liabilities	274.8	280.3

As noted above, the Group increased spending as expected. The Directors anticipate that the Consolidated Group's funds are sufficient to continue to progress both the deconsolidated affiliates and Affiliates division programmes to meaningful milestone events, and to invest in the Internal division into the first quarter of 2022.

Cash Flows

The Group's net cash used in operating activities reflects the payment of operating expenses, which, with the exception of its non-cash charges highlighted in footnotes 3 and 4 of the Results of Operations Schedule above, are primarily cash based.

The net cash outflow from investing activities during 2018 relates to investments in US Treasuries with durations of less than two years as well as the deconsolidation of Akili's cash balance as of 8 May 2018 which totalled $13.4 million. In addition, PureTech Health invested $3.5 million in resTORbio's IPO and the Consolidated Group expended $2.0 million for property and equipment.

The net cash inflow from financing activities during 2018 primarily relates to the April 2018 offering completed by PureTech Health, where the Company issued 45,000,000 ordinary shares at 160 pence per share, which were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and are trading on the Main Market for listed securities of the London Stock Exchange plc.

The placing represented a discount of approximately 3.0 per cent to the closing price of the Company's ordinary shares on 12 March 2018. Existing shareholder Invesco Asset Management Limited participated in the offering, purchasing 14,365,000 ordinary shares at the placing price of 160 pence per share. Based on the exchange rates at the time of the completion of the transaction, the gross proceeds of £72 million translated into $101.2 million. There were approximately $3.7 million of transaction costs associated with the offering, resulting in net proceeds of $97.5 million. In addition to the PureTech Offering, Gelesis received $8.5 million as part of its Series 2 Growth Preferred financing.

Offsetting the two aforementioned cash inflows was an outflow of $1.1 million related to distribution to third-party Sync preferred shareholders as a result of the asset purchase by Bose Corporation. The Group is focused on maintaining liquidity as well as capital preservation of investments. As a result, surplus cash reserves have been placed in highly- rated, short duration vehicles, primarily US Treasuries with maturities under one year. The Group monitors market conditions to manage any risk to the investment portfolio and investigates opportunities to increase the yield on the amounts invested, while maintaining the Group's liquidity and capital preservation objectives.

At 31 December 2018, the Group had $2.0 million of cash reserves held in Euros. These cash reserves are used to fund the operation of Gelesis' Italian manufacturing and research and development subsidiary. The Directors believe it is prudent to have these cash reserves denominated in Euro to fund operations.

Cash Flows

	2018	2017
	$ millions	$ millions
Operating Cash Flows	(72.8)	(88.7)
Investing Cash Flows	(39.6)	83.7
Financing Cash Flows	156.9	14.7

Consolidated Statements of Comprehensive Income/(Loss)

For the years ended 31 December

Note	2018	2017*
	$000s	$000s

Revenue from customers	3	16,371	650
Grant revenue	3	4,377	1,885
Total revenue		20,748	2,535
Operating expenses:			
General and administrative expenses	6	(47,365)	(46,283)
Research and development expenses	6	(77,402)	(71,672)
Operating loss		(104,019)	(115,420)
Other income/(expense):			
Gain on deconsolidation	5	41,730	85,016
Gain/(loss) on investments held at fair value	5	(20,307)	57,334
Loss on impairment of intangible asset		(30)	-
Gain on disposal of assets		104,060	-
Gain on loss of significant influence	5	10,287	-
Other (expense)/income		(278)	14
Other income		35,462	142,364
Finance income/(costs):			
Finance income	8	3,358	1,750
Finance costs - subsidiary preferred shares	8	(14,414)	(9,509)
Finance income - contractual	8	426	169
Finance costs - contractual	8	(392)	(722)
Finance income/(costs) - fair value accounting	8	22,631	(71,735)
Net finance costs		11,609	(80,047)
Share of net loss of associates accounted for using the equity method	5	(11,490)	(17,608)
Loss before taxes		(68,438)	(70,711)
Income/(loss) before taxes pre IFRS 9 (2018)/IAS 39 (2017) fair value accounting, finance cost - subsidiary preferred shares, share-based payment expense, impairment of tangible assets, depreciation of tangible assets and amortisation of intangible assets		(75,548)	25,118
Finance costs - subsidiary preferred shares	15	(106)	(9,509)
Finance costs - fair value accounting	8	22,631	(71,735)
Share-based payment expense	7	(12,637)	(11,849)
Impairment of tangible assets		-	(637)
Depreciation of tangible assets	10	(2,476)	(1,617)
Amortisation of intangible assets	11	(302)	(482)
Loss before taxes		(68,438)	(70,711)
Taxation	25	(2,221)	(4,383)
Loss for the year		(70,659)	(75,094)
Other comprehensive income/(loss):			
Items that are or may be reclassified as profit or loss			
Foreign currency translation differences		(214)	408
Unrealised gain on investments held at fair value		(26)	1,750
Total other comprehensive income/(loss)		(240)	2,158
Total comprehensive loss for the year		(70,899)	(72,936)
Income/(loss) attributable to:			
Owners of the Company		(43,654)	26,472
Non-controlling interests	16	(27,005)	(101,566)
		(70,659)	(75,094)
Comprehensive income/(loss) attributable to:			
Owners of the Company		(43,894)	28,630

Non-controlling interests	16	(27,005)	(101,566)
		(70,899)	(72,936)
Earnings/(loss) per share:			
Basic earnings/(loss) per share	9	($0.16)	$0.11
Diluted earnings/(loss) per share	9	($0.16)	$0.11

The accompanying notes are an integral part of these financial statements.

* Prior year tax numbers have been adjusted - see note 1.

Consolidated Statements of Financial Position

For the years ended 31 December

	Note	2018	2017*
		$000s	$000s
Assets			
Non-current assets			
Property and equipment, net	10	8,323	6,862
Investments held at fair value	5	169,755	131,351
Intangible assets, net	11	3,080	3,309
Deferred tax assets	25	449	142
Other non-current assets		370	73
Total non-current assets		181,977	141,737
Current assets			
Trade and other receivables	21	1,328	1,797
Prepaid expenses and other current assets		5,380	6,638
Other financial assets	13, 21	2,199	927
Short-term investments	21	133,828	116,098
Cash and cash equivalents	21	117,051	72,649
Total current assets		259,786	198,109
Total assets		441,763	339,846
Equity and liabilities			
Equity			
Share capital	14	5,375	4,679
Merger reserve	14	138,506	138,506
Share premium	14	278,385	181,588
Translation reserve	14	10	224
Other reserve	14	20,923	17,178
Accumulated deficit	14	(167,692)	(132,270)
Equity attributable to the owners of the Company	14	275,507	209,905
Non-controlling interests	14, 16	(108,535)	(150,305)
Total equity	14	166,972	59,600
Non-current liabilities			
Deferred revenue	3	83	159
Deferred tax liability	25	6,428	4,397
Other long-term liabilities	19	2,516	1,828
Total non-current liabilities		9,027	6,384
Current liabilities			
Deferred revenue	3	6,560	1,652
Trade and other payables	18	15,875	16,358

Subsidiary:			
Notes payable	17, 21	12,010	7,455
Derivative liability	21	-	114,263
Warrant liability	21	13,012	13,095
Preferred shares	15, 21	217,519	120,051
Other current liabilities		788	988
Total current liabilities		265,764	273,862
Total liabilities		274,791	280,246
Total equity and liabilities		441,763	339,846

See the accompanying notes to the consolidated financial information. Registered number: 09582467.

The financial statements on pages 88 to 135 were approved by the Board of Directors and authorised for issuance on 24 April 2019 and signed on its behalf by:

Daphne Zohar

Chief Executive Officer 24 April 2019

The accompanying notes are an integral part of these financial statements.

* Prior year tax numbers have been adjusted - see note 1.

Consolidated Statements of Changes in Equity

For the years ended 31 December

	Share Capital									
	Shares	Amount $000s	Share premium $000s	Merger reserve $000s	Translation reserve $000s	Other reserve $000s	Accumulated deficit $000s	Total Parent equity $000s	Non-controlling interests $000s	Total Equity $000s
Balance 1 January 2017	237,387,951	4,609	181,658	138,506	(184)	13,412	(160,335)	220,887	(56,834)	164,053
Net income/(loss)	-	-	-	-	-	-	26,472	26,472	(101,566)	(75,904)
Foreign currency exchange	-	-	-	-	408	-	-	408	-	408
Unrealised gain on investments	-	-	-	-	-	-	1,750	1,750	-	1,750
Total comprehensive income/(loss) for the period*	-	-	-	-	408	-	28,222	28,630	(101,566)	(72,936)
Gain/(loss) arising from change in non-controlling interests	-	-	-	-	-	(16)	-	(16)	28,449	28,433
Exercise of share-based awards	41,745	70	(70)	-	-	-	-	-	-	-
Subsidiary dividends	-	-	-	-	-	-	(91)	(91)	-	(91)
Buyback of shares, net of tax	-	-	-	-	-	-	(66)	(66)	-	(66)
Equity settled share-based payments	-	-	-	-	-	3,782	-	3,782	8,607	11,849
As at 31 December 2017*	237,429,696	4,679	181,588	138,506	224	17,178	(132,270)	209,905	(150,305)	59,600
Adjustment for the initial application of IFRS9	-	-	-	-	-	-	7,525	7,525	4,719	12,244
Adjusted balance as of 1 January 2018	237,429,696	4,679	181,588	138,506	224	17,178	(124,745)	217,430	(145,586)	71,844
Net loss	-	-	-	-	-	-	(43,654)	(43,654)	(27,005)	(70,659)
Foreign currency exchange	-	-	-	-	(214)	-	-	(214)	-	(214)
Unrealised loss on investments	-	-	-	-	-	-	(26)	(26)	-	(26)
Total comprehensive loss for the period	-	-	-	-	(214)	-	(43,680)	(43,894)	(27,005)	(70,899)
Deconsolidation of subsidiary	-	-	-	-	-	(4)	619	615	55,168	55,783
Issuance of placing shares	45,000,000	696	96,797	-	-	-	-	97,493	-	97,493
Exercise of share-based awards	64,171	-	-	-	-	-	122	122	-	122
Subsidiary dividends to non-controlling interests	-	-	-	-	-	-	(8)	(8)	-	(8)
Equity settled share-based payments	-	-	-	-	-	3,749	-	3,749	8,888	12,637
Balance 31 December 2018	282,493,867	5,375	278,385	138,506	10	20,923	(167,692)	275,507	108,535	166,972

The accompanying notes are an integral part of these financial statements.

* Prior year tax numbers have been adjusted - see note 1.

Consolidated Statements of Cash Flows

For the years ended 31 December

	Note	2018 $000s	2017 $000s
Cash flows from operating activities			
Loss for the year*		(70,659)	(75,094)
Adjustments to reconcile net operating loss to net cash used in operating activities:			
Non-cash items:			
Depreciation and amortisation	10, 11	2,778	2,099
Impairment of intangible assets	11	30	637
Equity settled share-based payment expense	7	12,637	11,849
(Gain)/loss on investments held at fair value	12	20,307	(57,334)
(Gain)/loss on short-term investments		(843)	219
Gain on deconsolidation	5	(41,730)	(85,016)
Gain on loss of significant influence		(10,287)	-
Conversion of debt to equity		349	-
Disposal of assets	10	111	-
Proceeds from sale of assets	10	50	-
Share of net loss of associate	5	11,491	17,608
Non-cash share of net loss for deconsolidated subsidiary		-	8,027
Deferred income taxes*	25	1,723	4,257
Subsidiary research and development tax credit		-	(1,152)
Non-cash rent expense		-	106
Unrealised (gain)/loss on foreign currency transactions		(271)	342
Finance costs	8	(8,446)	81,797
Changes in operating assets and liabilities:			
Accounts receivable, net	21	467	(1,672)
Other financial assets	13	(1,327)	(30)
Prepaid expenses and other current assets		774	168
Deferred revenues	3	4,841	(725)
Accounts payable and accrued expenses	19	5,094	5,238
Other liabilities		115	(9)
Net cash used in operating activities		(72,796)	(88,685)
Cash flows from investing activities:			
Purchase of property and equipment	10	(4,365)	(2,091)
Proceeds from sale of property and equipment		125	-
Purchases of intangible assets	11	(125)	(80)
Purchase of affiliate shares		(3,500)	-
Cash in associate eliminated upon deconsolidation		(13,390)	(16,340)
Purchases of short-term investments	20	(166,452)	(147,203)
Proceeds from maturity of short-term investments	20	148,062	249,396
Net cash provided by/(used in) investing activities		(39,645)	83,682
Cash flows from financing activities:			
Proceeds from issuance of convertible notes	17	6,147	2,616
Repayment of long-term debt		(185)	(163)

Proceeds from the issuance of shares, net of issuance costs	15	152,030	12,400
Buyback of shares		(35)	(66)
Distribution to shareholders on dissolution of subsidiary		(1,062)	-
Subsidiary dividend payments		(8)	(91)
Net cash provided by financing activities		156,887	14,696
Effect of exchange rates on cash and cash equivalents		(44)	(3)
Net increase in cash and cash equivalents		44,402	9,690
Cash and cash equivalents at beginning of year		72,649	62,959
Cash and cash equivalents at end of year		117,051	72,649

Supplemental disclosure of non-cash investment and financing activities:

Conversion of subsidiary notes payable and accrued interest into preferred stock	-	1,306

Supplemental disclosure of deconsolidated loss, net of non-cash items

Non-controlling interest	(55,168)	(28,449)
Parent share of loss of deconsolidated entity	-	(14,224)
Total net loss of deconsolidated entity	(55,168)	(42,673)
Loss attributable to cash spend	18,651	8,660
Total non-cash loss	(36,517)	(34,013)
Add:		
Depreciation expense	-	36
Amortisation expense	-	188
Derivative fair value adjustment	36,517	25,747
Equity in exchange for services	-	15
Net loss of deconsolidated entity, net of non-cash items	-	(8,027)

The accompanying notes are an integral part of these financial statements.

* Prior year tax numbers have been adjusted - see note 1.

Notes to the Consolidated Financial Statements

1. Accounting policies

Description of Business

PureTech Health plc ("PureTech" the "Parent" or the "Company") is a public company incorporated, domiciled and registered in the United Kingdom ("UK"). The registered number is 09582467 and the registered address is 5th Floor, 6 St. Andrew Street, London EC4A 3AE, UK.

PureTech's group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The Parent company financial statements present financial information about the Company as a separate entity and not about its Group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

Basis of Presentation

The Annual Report and Accounts of the Group are presented for the years ended 31 December 2018 and 2017. The Group financial statements have been prepared and approved by the Directors in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union (adopted IFRSs).

For presentation of the Consolidated Statements of Comprehensive Income/(Loss), the Company uses a classification based on the function of expenses, rather than based on their nature, as it is more representative of the format used for internal reporting and management purposes and is consistent with international practice.

Basis of Measurement

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investments held at fair value, derivative financial instruments and financial instruments classified as fair value through the profit or loss.

Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis.

Revisions to estimates are recognised prospectively. Significant estimation applied in determining the following:

· Revenue recognition (note 3): when determining the correct amount of revenue to be recognised. This includes making certain estimates and judgements when determining the appropriate accounting treatment of key customer contract terms in accordance with the applicable accounting standards. In particular, estimates are required to determine the timing of revenue recognition (on delivery or over a period of time). The Directors also make estimates of the fair values of each component of a contract to be able to allocate the overall consideration to each component based on the relative fair value method.

· Financial instruments valuations (note 21): when determining the appropriate valuation methodology and deriving the estimated fair value of subsidiary undertakings and subsidiary preferred shares. This includes making certain estimates of the future earnings potential of the subsidiary businesses, appropriate discount rate and earnings multiple to be applied, marketability and other industry and company specific risk factors.

Significant judgement is also applied in determining the following:

· Subsidiary preferred shares liability classification (note 21): when determining the classification of financial instruments in terms of liability or equity. These judgements include an assessment whether the financial instrument include any embedded derivative features, whether they include contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party, and whether that obligation will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. Further information about these critical judgements and estimates is included below under Financial Instruments; and

· When the power to control the subsidiaries exists

Going Concern

After making enquiries and considering the impact of risks and opportunities on expected cash flows, the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence into Q1 2022. Based on the cash and cash equivalents available to the Group as of 31 December 2018, the Group has sufficient cash reserves to continue to provide capital, alongside outside investors, to its existing subsidiary companies and to create and fund project stage programmes and growth stage affiliates into Q1 2022, assuming broadly our expected level of required investments in businesses and other operating expenditures.

Basis of Consolidation

The consolidated financial information for each of the years ended 31 December 2018 and 2017 comprises an aggregation of financial information of the Company and the consolidated financial information of PureTech Health LLC ("PureTech LLC"). Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of all subsidiaries and the Group's ownership percentage, based on outstanding voting ordinary and preferred shares, is outlined below.

Ownership percentage of voting stock as at 31 December(8)

	2018		2017	
Subsidiary(1)	Ordinary	Preferred	Ordinary	Preferred
Subsidiaries				
Akili Interactive Labs, Inc. (2) (4) (9)	-	41.90	-	61.80
Akili Securities Corp. (indirectly held through Akili) (2) (4)	-	41.90	-	61.80
Alivio Therapeutics, Inc. (2) (4)	-	92.00	-	92.00
Appeering, Inc. (4)	-	100.00	-	100.00
Ariya Therapeutics, Inc. (10)	-	99.99	-	-
Calix Biosciences, Inc. (4) (10)	-	-	-	100.00
Commense, Inc. (4)	-	99.10	-	100.00
Enlight Biosciences, LLC (2) (4)	86.00	-	86.00	-
Entrega, Inc. (indirectly held through Enlight) (2) (4)	-	83.10	-	83.10
Follica, Incorporated (2) (4)	4.40	79.20	3.80	68.30
Gelesis, Inc. (2) (4) (11)	7.30	18.40	8.20	18.70
Gelesis, S.r.l. (indirectly held through Gelesis) (2) (5) (11)	7.30	18.40	8.20	18.70
Gelesis, LLC (indirectly held through Gelesis) (2) (6) (11)	7.30	18.40	8.20	18.70
Glyph Biosciences, Inc. (2) (4) (10)	-	-	-	97.30
Karuna Pharmaceuticals, Inc. (2) (4)	-	70.95	-	90.70
Knode Inc. (indirectly held through Enlight) (2) (4)	-	86.00	-	86.00
Mandara Sciences, LLC (4)	98.30	-	98.30	-
Nybo Therapeutics, Inc. (2) (4) (10)	-	-	-	94.70
PureTech Management, Inc. (7)	100.00	-	100.00	-
PureTech Health LLC (3) (7)	100.00	-	100.00	-
Sonde Health, Inc. (2) (4)	-	96.40	-	96.40

Tal Medical, Inc. (2) (4)	-	64.50	-	64.50
The Sync Project, Inc. (2) (4)	-	-	-	77.60
Vedanta Biosciences, Inc. (2) (4)	-	74.30	-	85.86
Vedanta Biosciences Securities Corp. (indirectly held through Vedanta) (2) (4)	-	74.30	-	85.86
Vor Biopharma Inc. (2) (4)	-	93.20	-	94.10
Nontrading holding companies				
Endra Holdings, LLC (held indirectly through Enlight) (4)	86.00	-	86.00	-
Ensof Holdings, LLC (held indirectly through Enlight) (4)	86.00	-	86.00	-
Gelesis 2012, Inc. (held indirectly through Gelesis) (4) (11)	7.30	18.40	8.20	18.70
PureTech Securities Corp. (4)	100.00	-	100.00	-
Inactive subsidiaries				
Ensof Biosystems, Inc. (held indirectly through Enlight) (2) (4)	57.70	28.30	57.70	28.30
Libra Biosciences, Inc. (4)	-	100.00	-	100.00

Notes:

1. All subsidiaries are registered in the United States ("US") except for Gelesis, S.r.l., which is registered in Italy.

2. The ownership percentage includes liability classified preferred shares, which results in the ownership percentage not agreeing to the ownership percentage used in allocations to non-controlling interests disclosed in note 16.

3. On 18 June 2015, PureTech Health plc completed a reorganisation of the corporate structure of the group of companies controlled by its predecessor PureTech Health LLC pursuant to which PureTech Health plc became the holding company of the group.

4. Registered address is Corporation Trust Center, 1209 Orange St., Wilmington, DE 19801, USA.

5. Registered address is Via Verde 188, 73021 Calmera (LE), Italy.

6. Registered address is 901 N. Market St., Suite 705, Wilmington, DE 19801, USA.

7. Registered address is 2711 Centerville Rd., Suite 400, Wilmington, DE 19808, USA.

8. The Company's interests in its subsidiaries are predominantly in the form of preferred shares, which have a liquidation preference over the ordinary shares, are convertible into ordinary shares at the subsidiary's discretion or upon certain liquidity events, are entitled to one vote per share on all matters submitted to shareholders for a vote and entitled to receive dividends when and if declared, except in the case of Enlight, Mandara and PureTech Health LLC in which the holdings are membership interests in an LLC. The ordinary shares are entitled to one vote per share on all matters submitted to shareholders for a vote and entitled to receive dividends when and if declared.

9. On 8 May 2018, Akili completed the first close of a Series C Preferred Stock financing with certain and other existing investors. As a result of the issuance of the preferred shares to third-party investors, following the first close of the Series C financing, PureTech's ownership percentage and corresponding voting rights related to Akili dropped from 61.8 per cent to 41.9 per cent, triggering a loss of control over the entity. As of May 2018, Akili was deconsolidated from the Group's financial statements and is no longer considered a subsidiary.

10. On 18 July 2018, Calix Biopharma, Inc., Glyph Biosciences, Inc., and Nybo Therapeutics, Inc. merged into Ariya Therapeutics, Inc. Thus, the Group no longer holds interest in Calix, Glyph and Nybo and owns 100 per cent of Ariya as of 31 December 2018.

11. It was concluded that PureTech Health still has control over Gelesis by virtue of its large, albeit minority, ownership stake and its continued control of Gelesis' Board of Directors, resulting in PureTech having the power to participate in the financial and operating policy decisions of the entity. Therefore, the Group has consolidated Gelesis' financial operations for the year ended 31 December 2018.

Change in subsidiary ownership and loss of control

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest ("NCI") and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Associates

Associates are those entities in which the Group has lost control but maintains significant influence over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity, unless it can be clearly demonstrated that this is not the case. The Group evaluates if it maintains significant influence over associates by assessing if the Group has lost the power to participate in the financial and operating policy decision of the associate.

Application of the equity method to associates

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at fair value. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee. To the extent the Group holds interests in Associates that are not ordinary shares and that have debt-like features, the instrument held by PureTech is accounted for in accordance with IFRS 9.

Change in Accounting Policy

In these financial statements, the Group has adopted new accounting policies resulting in a change in accounting for financial instruments and revenue recognition. All other accounting policies have remained unchanged from the previous year. See updated accounting policies for financial instruments (IFRS 9) and revenue recognition (IFRS 15) below.

IFRS 9, Financial Instruments

As of 1 January 2018, the Company adopted IFRS 9, Financial Instruments ("IFRS 9"), which replaced IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through the profit and loss statement ("FVTPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the entity's business model and of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss impairment model previously used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in Other Comprehensive Income/(Loss) for liabilities designated at FVTPL. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management uses for risk management purposes.

Contemporaneous documentation is still required but is different than what was prepared under IAS 39.

The Group reviewed the financial liabilities reported on its Consolidated Statements of Financial Position and completed an assessment between IAS 39 and IFRS 9 to identify any accounting changes. The financial liabilities subject to this review were the Subsidiary notes payable, Derivative liability, Warrant liability, and Preferred share liability. Based on this assessment of the classification and measurement model, impairment and interest income, the accounting impact on financial liabilities was determined not to be material. As part of the transition requirement, entities have the option upon implementation of the new standard to designate a financial liability as measured at FVTPL. The Group re-assessed its financial liabilities and has elected not to split out embedded derivatives and retrospectively recorded changes in fair value of the entire financial liability instrument through the statement of profit and loss, leading to changes in the carrying value of the instruments when looked at in the aggregate.

The Group also reviewed the financial assets reported on its Consolidated Statements of Financial Position and notes no changes in the application of IFRS 9.

The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. The reclassification and adjustment arising from the adoption of the new accounting policy has been recognised in the opening balance sheet as of 1 January 2018.

		Cumulative	
	IAS 39 as of 31 December	Effect Adjustment to Accumulated	IFRS 9 as of 1 January
Financial liability	2017	Deficit	2018
Notes Payable	7,455	6,435	13,890
Derivative Liability	114,263	(114,263)	-
Warrant Liability	13,095	-	13,095
Preferred Shares	120,051	95,584	215,635
	254,864	(12,244)	242,620

The accounting policy that reflects the new accounting standard for financial instruments (guidance under IAS 32 and IFRS 9) is effective from 1 January 2018 and is as follows:

Financial Instruments

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. The Group adopted this policy as of 1 January 2018.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets are expensed and carried at FVTPL.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group has reviewed the financial assets and liabilities and determined the following impact from the adoption of the new standard:

Financial Assets

The Group's financial assets consist of cash and cash equivalents, trade and other receivables, debt and equity securities and other deposits. The Group's financial assets are classified into the following categories: investments held at fair value and trade and other receivables. The Group determines the classification of financial assets at initial recognition depending on the purpose for which the financial assets were acquired.

Investments held at fair value are non-derivative instruments that are designated in this category or not classified in any other category. These financial assets are initially measured at fair value and subsequently re-measured at fair value at each reporting date. The Company elects if the gain or loss will be recognised in the Consolidated Statements of Comprehensive Income/ (Loss), Other Comprehensive Income/(Loss) or through profit and loss on an instrument by instrument basis. Financial assets that are recognised through FVOCI are presented in the Consolidated Statements of Financial Position as non-current assets, unless the Group intends to dispose of them within 12 months after the end of the reporting period.

Trade and other receivables are non-derivative financial assets with fixed and determinable payments that are not quoted on active markets. These financial assets are carried at the amounts expected to be received less any allowance for doubtful debts. Provisions are made where there is evidence of a risk of nonpayment, taking into account ageing, previous experience and economic conditions. When a trade receivable is determined to be uncollectible, it is written off against the available provision and then to the Consolidated Statements of Comprehensive Income/(Loss). Trade and other receivables are included in current assets, unless maturities are greater than 12 months after the end of the reporting period.

The Group reviewed the financial assets reported in its Consolidated Statements of Financial Position and completed an assessment between IAS 39 and IFRS 9 to identify any accounting changes. The financial assets subject to this review were: Cash and cash equivalents, US Treasuries, Certificates of deposits, Other deposits, Trade and other receivables, and Investments held at fair value. Due to the nature of the financial assets held and their lack of complexity, the classification and measurement model, impairment, and interest income, the accounting impact on financial assets was not material.

Financial Liabilities

The Group's financial liabilities consist of trade and other payables, subsidiary notes payable, preferred shares, and warrant liability. Warrant liabilities are initially recognised at fair value. After initial recognition, these financial liabilities are re-measured at FVTPL using an appropriate valuation technique. Subsidiary notes payable and subsidiary preferred shares without embedded derivatives are accounted for at amortised cost.

The majority of the Group's subsidiaries have preferred shares and notes payable with embedded derivatives, which are classified as current liabilities. These financial instruments are assessed under IFRS 9, to determine if the instrument qualifies to be accounted for under the FVTPL method. When the Group has preferred shares with embedded derivatives that qualify for bifurcation, the Group has elected to account for the entire instrument as FVTPL.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Equity Instruments Issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions, in accordance with IAS 32:

1. They include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

2. Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the financial instrument is classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in the financial information for share capital and merger reserve account exclude amounts in relation to those shares.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payment is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gain/(loss) in the Consolidated Statements of Comprehensive Income/(Loss) as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2018, and supersedes: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The standard establishes a five-step principle-based approach for revenue recognition and is based on the concept of recognising an amount that reflects the consideration for performance obligations only when they are satisfied and the control of goods or services is transferred.

The majority of the Group's revenue from customers is generated from licenses, services, and collaboration arrangements. The Group adopted IFRS 15 with effect from 1 January 2018 using the Modified Retrospective approach. The adoption of this standard did not have an impact to the consolidated results.

Management reviewed contracts where the Group received consideration in order to determine whether or not they should be accounted for in accordance with IFRS 15. To date, PureTech Health has entered into transactions that generate revenue and meet the scope of either IFRS 15 or IAS 20 Accounting for Government Grants. Revenue is recognised at either a point-in-time or over time, depending on the nature of the services and existence of acceptance clauses.

The accounting policy that reflects the new accounting standard for IFRS 15 is effective from 1 January 2018 and is as follows:

Revenue generated by collaboration and service agreements is accounted for under IFRS 15. The Group accounts for agreements that meet the definition of IFRS 15 by applying the following five step model:

· Identify the contract(s) with a customer - A contract with a customer exists when (i) the Group enters into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to those goods or services, (ii) the contract has commercial substance and, (iii) the Group determines that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration.

· Identify the performance obligations in the contract - Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available from third parties or from the Group, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract.

· Determine the transaction price - The transaction price is determined based on the consideration to which the Group will be entitled in exchange for transferring goods or services to the customer. To the extent the transaction price includes variable consideration, the Group estimates the amount of variable consideration that should be included in the transaction price utilising either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Group's judgement, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Determining the transaction price requires significant judgement, which is discussed by revenue category in further detail below.

· Allocate the transaction price to the performance obligations in the contract - If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation. The Group determines standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Group estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

· Recognise revenue when (or as) the Group satisfies a performance obligation - The Group satisfies performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognised at the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

Revenue generated from services agreements is determined to be recognised over time when it can be determined that the services meet one of the following: (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; (b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

It was determined that the Group has contracts that meet the following criteria and revenue is recognised using the input method based on labour hours, laboratory expenses and supplies. For cases where the entity does not have an enforceable right to payment due to acceptance clauses, it was determined that costs incurred to fulfil the services are to be capitalised until acceptance is received for the milestone. This resulted in PureTech Health capitalising service-related expenses as of 31 December 2017 and recognising the consideration as revenue once acceptance was received during 2018.

Grant Income

The Company recognises grants from governmental agencies as grant income in the Consolidated Statement of Comprehensive Income/(Loss), gross of the expenditures that were related to obtaining the grant, when there is reasonable assurance that the Company will comply with the conditions within the grant agreement and there is reasonable assurance that payments under the grants will be received. The Company evaluates the conditions of each grant as of each reporting date to ensure that the Company has reasonable assurance of meeting the conditions of each grant arrangement and it is expected that the grant payment will be received as a result of meeting the necessary conditions.

The Company submits qualifying expenses for reimbursement for certain expenses after the Company has incurred the research and development expense. The Company records an unbilled receivable upon incurring such expenses. Grant income is recognised in the Consolidated Statements of Comprehensive Income/(Loss) over the periods in which the Company recognises the related reimbursable expense for which the grant is intended to compensate.

Functional and Presentation Currency

These consolidated financial statements are presented in United States dollars ("US dollars"). The functional currency of all members of the Group is the US dollar, except for an Italian subsidiary whose functional currency is the Euro. The assets and liabilities of this subsidiary are translated to US dollars at the exchange rate prevailing on the balance sheet date and revenues and expenses are translated at the average exchange rate for the period. Foreign exchange differences resulting from the translation of this subsidiary are reported in the Consolidated Statements of Comprehensive Income/(Loss) in Other Comprehensive Income/(Loss).

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on remeasurement are recognised in the Consolidated Statement of Comprehensive Income/(Loss) except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary

assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments with original maturities of three months or less.

Share Capital

Ordinary shares are classified as equity. The Group is comprised of share capital, share premium, merger reserve, other reserve, translation reserve, and accumulated deficit.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Assets under construction represent leasehold improvements and machinery and equipment to be used in operations or research and development activities. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation is calculated using the straight-line method over the estimated useful life of the related asset:

Laboratory and manufacturing equipment	2-8 years
Furniture and fixtures	7 years
Computer equipment and software	1-5 years
Leasehold improvements	5-10 years, or the remaining term of the lease, if shorter

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible Assets

Intangible assets, which include purchased patents and licenses with finite useful lives, are carried at historical cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the costs of patents and licenses over their estimated useful lives, which is typically the remaining life of the underlying patents.

Impairment

Impairment of Non-Financial Assets

The Group reviews the carrying amounts of its property and equipment and intangible assets at each reporting date to determine whether there are indicators of impairment. If any such indicators of impairment exist, then an asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use.

An impairment loss is recognised when an asset's carrying amount exceeds its recoverable amount. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are largely independent cash flows. If a non- financial asset instrument is impaired, an impairment loss is recognised in the Consolidated Statements of Comprehensive Income/(Loss).

Impairment of Financial Assets Carried at Fair Value

The Group's financial assets are carried at fair value through Other Comprehensive Income/(Loss) or through profit and loss, depending on the election taken for each instrument. These financial assets are reviewed at each reporting period to assess whether there is objective evidence that the assets should be impaired. An impairment loss is recognised when there is a significant or prolonged decline in fair value below the instrument's cost. If an instrument is impaired, the impairment loss is calculated and recognised in the Consolidated Statements of Comprehensive Income/(Loss).

Impairment of Financial Assets Measured at Amortised Cost

The Group assesses financial assets measured at amortised cost for impairment at each reporting period. These financial assets are impaired if one or more loss events occur after initial recognition that impact the estimated future cash flows of the asset. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate and is recognised in the Consolidated Statements of Comprehensive Income/(Loss).

Employee Benefits

Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation due to past service provided by the employee, and the obligation can be estimated reliably.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Share-based Payments

Share-based payment arrangements, in which the Group receives goods or services as consideration for its own equity instruments, are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group. The grant date fair value of employee share-based payment awards is recognised as an expense with a corresponding increase in equity over the period that the employee is unconditionally entitled to the awards. The fair value is measured using an option valuation model, which takes into account the terms and conditions of the options granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Development Costs

Expenditures on research activities are recognised as incurred in the Consolidated Statements of Comprehensive Income/ (Loss). Development costs are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, the Group intends to and has sufficient resources to complete development and to use or sell the asset, and it is able to measure reliably the expenditure attributable to the intangible asset during its development. The point at which technical feasibility is determined to have been reached is when regulatory approval has been received where applicable. Management determines that commercial viability has been reached when a clear market and pricing point have been identified, which may coincide with achieving recurring sales. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditures considered for capitalisation include the cost of materials, direct labour and an appropriate proportion of overhead costs. Otherwise, the development expenditure is recognised as incurred in the Consolidated Statements of Comprehensive Income/(Loss).

Provisions

A provision is recognised in the Consolidated Statements of Financial Position when the Group has a present legal or constructive obligation due to a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Operating Leases

The Group classifies its leases at inception as either finance or operating leases, depending on whether substantially all the risks and rewards of ownership transfer to the Group. Leases where the lessee has substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. The Group only has operating leases during the reporting periods. Payments made under operating leases are recognised in the Consolidated Statements of Comprehensive Income/(Loss) on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Finance Income and Finance Costs

Finance income is comprised of interest income on funds invested in US treasuries, which is recognised as it accrues in the Consolidated Statements of Comprehensive Income/(Loss) via the effective interest method. Finance costs comprise loan interest expense and the changes in the fair value of warrant and derivative liabilities associated with financing transactions.

Taxation

Tax on the profit or loss for the year comprises current and deferred income tax. Tax is recognised in the Consolidated Statements of Comprehensive Income/(Loss) except to the extent that it relates to items recognised directly in equity.

For the years ended 31 December 2018 and 2017, the Group filed a consolidated US income tax return.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances

on a net basis.

Deferred taxes are recognised in Consolidated Statements of Comprehensive Income/(Loss) except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Deferred Revenue and Deferred Costs

Deferred revenue includes amounts that have been billed per contractual terms but has not been recognised as revenue. Deferred costs represent direct costs related to deferred revenues and include capitalised labour and research and development expenditures. The Company classifies non-current deferred revenue and deferred costs for any transaction, which is expected to be recognised beyond one year or one operating cycle.

Fair Value Measurements

The Group's accounting policies require that its financial and non-financial assets and liabilities be measured at their fair value.

The Group 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. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The carrying amount of cash and cash equivalents, accounts receivable, short-term investments, restricted cash, deposits, accounts payable, accrued expenses and other current liabilities in the Group's Consolidated Statements of Financial Position approximates their fair value because of the short maturities of these instruments.

Operating Segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM reviews discrete financial information for the operating segments in order to assess their performance and is responsible for making decisions about resources allocated to the segments. The CODM has been identified as the Group's Directors.

Certain prior period amounts have been reclassified to conform with the current-period financial statement presentation. Deferred Tax Adjustment

During 2018 the Directors identified that as at 31 December 2017, a non-cash net deferred tax liability of $4.4 million (net of the offset of available tax losses) should have been recorded in respect of 'Investments held at fair value' of $131.4 million. As a result, a prior year adjustment has been made to correct the position. The impact of this has been as follows:

- The tax (charge)/ credit for the year ended 31 December 2017 is now reported as a charge of $4.4 million (previously a credit of approximately $0.1 million).
- The net loss for the year ended 31 December 2017 is now reported as $75.1 million (previously a loss of $70.7 million).
- Income attributable to the owners of the company for the year ended 31 December 2017 is now reported as $26.5 million (previously as income of $30.9 million).

- The total comprehensive loss for the year ended 31 December 2017 is now reported as $72.9 million (previously a loss of $68.5 million).
- The accumulated deficit at 31 December 2017 is now reported as $132.3 million (previously $127.9 million).
- The Equity attributable to owners of the company at 31 December 2017 is now reported as $209.9 million (previously $214.3 million).
- The total equity at 31 December 2017 is now reported as $59.6 million (previously $64.0 million).
- Deferred tax liability at 31 December 2017 is now reported as $4.4 million (previously nil).
- There is no impact on the balance sheet as at 31 December 2016.

2. New Standards and Interpretations Not Yet Adopted

A number of new standards, interpretations, and amendments to existing standards are effective for annual periods commencing on or after 1 January 2019 and have not been applied in preparing the consolidated financial information. The Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16, Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after 1 January 2019 and supersedes: IAS 17 Leases; IFRIC 4 Determining whether an Arrangement contains a Lease; SIC-15 Operating Leases - Incentives; and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard introduces a single, on-balance sheet accounting model which requires the lessee to recognise assets representative of the right to use the leased item, and liabilities to pay rentals for all leases.

The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The Group expects the adoption of IFRS 16 will not materially increase the assets and liabilities on the Consolidated Statements of Financial Position and affect its results of operations.

The Group's operating leases impacted by IFRS 16 principally include leases from real estate.

Existing finance leases will continue to be treated as finance leases. For existing operating leases, the Group will apply the modified retrospective approach by measuring the right-of-use asset at an amount equal to the lease liability at the date of transition and therefore comparative information will not be restated. Upon transition the Group will also apply the following practical expedients:

- Exclude initial direct costs from the right-of-use assets;
- Use hindsight when assessing the lease term; and
- Not to reassess whether a contract is or contains a lease.
- Will not separate the lease components from the non-lease components in lease contracts.

The Group will elect to account for lease payments as an expense on a straight-line basis over the life of the lease for:

- Leases with a term of 12 months or less and containing no purchase options; and
- Leases where the underlying asset has a value of less than $5,000.

The lease liability is initially measured at the present value of the lease payments that are not paid at the transition date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group will use its incremental borrowing rate. The right-of-use asset will be depreciated on a straight-line basis and the lease liability will give rise to an interest charge.

The Group estimates that the financial impact of adopting IFRS 16 will be to:

- Recognise a $10.8 million right-of-use asset and an $11.5 million additional lease liability on adoption; and
- Increase FY2019 Operating profit by $0.1 million net.

The undiscounted lease liability upon adoption is $0.9 million higher than the $9.9 million minimum rental commitments under all non-cancellable operating leases as at 31 December 2018 disclosed in note 22 - Commitments and Contingencies, the differences are due to lease term extensions under IFRS 16 offset by the exclusion of short leases and leases of low value assets.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. Revenue

Revenue recorded in the Consolidated Statement of Comprehensive Income/Loss consists of the following:

For the years ended 31 December:	2018	2017
	$000s	$000s
Revenue from customers (IAS 18 for 2017 and IFRS 15 for 2018)	16,371	650
Grant revenue (IAS 20)	4,377	1,885
Total revenue	20,748	2,535

The Group adopted IFRS 15 effective 1 January 2018, using the modified retrospective method and has only applied this method to contracts that were not completed as of the effective date and all new contracts initiated on or after the effective date. Results for reporting periods beginning on or after 1 January 2018 are presented under IFRS 15, while prior period amounts have not been restated and continue to be reported in accordance with the governing revenue recognition standards applicable to that period. The adoption of this standard had an insignificant impact to the Groups financial statements on the date of adoption.

Disaggregated Revenue

The Group disaggregates revenue from contracts with customers in a manner that depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Group disaggregates revenue based on the transfer of control of the underlying performance obligations and the geographic location of the customer.

Timing of revenue recognition	2018
	$000s

Transferred at a point in time	13,415
Transferred over time	2,956
	16,371

Customers over 10% of revenue	2018
	$000s
Janssen Biotech, Inc.	12,000
BMEB Services LLC, a subsidiary of Google	1,415
	13,415

All amounts recorded in revenue from customers were generated in the United States.

Additionally, an estimation uncertainty arises due to management's application of the inputs method in recognising revenue overtime. In doing so, the total cost to satisfy the performance obligation includes a significant estimate by management in its budgets and projected cash flows. The sensitivity of which is detailed below:

Budget	+10%	-10%
Revenue	(264,678)	323,494

Contract Balances

Accounts receivables represent rights to consideration in exchange for products or services that have been transferred by the Group, when payment is unconditional and only the passage of time is required before payment is due. Accounts receivables do not bear interest and are recorded at the invoiced amount. Accounts receivable are included within Trade and other receivables on the Consolidated Statement of Financial Position.

Contract liabilities represent the Group's obligation to transfer products or services to a customer for which consideration has been received, or for which an amount of consideration is due from the customer. Contract assets and liabilities are reported on a net basis at the contract level, depending on the contracts position at the end of each reporting period. Contract liabilities are included within Deferred revenue on the Consolidated Statement of Financial Position.

Contract Balances	2018
	$000s
Accounts receivable	151
Contract liabilities	6,643

Remaining performance obligations represent the transaction price of unsatisfied or partially satisfied performance obligations within contracts with an original expected contract term that is greater than one year and for which fulfilment of the contract has started as of the end of the reporting period. The aggregate amount of transaction consideration allocated to remaining performance obligations as of December 31, 2018 was $10.3 million. The following table summarises when the Group expects to recognise the remaining performance obligations as revenue, the Group will recognise revenue associated with these performance obligations as transfer of control occurs:

	Less than 1 Year	Greater than 1 Year	Total
Remaining Performance Obligation	6,268	4,055	10,323

Cost to Fulfil a Contract

Contract fulfilment costs include direct labour for professional services, payments made to third parties for intellectual property licenses and direct materials. We capitalise incremental costs incurred to fulfil our contracts that (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy the Company's performance obligation under the contract, and (iii) are expected to be recovered through revenue generated under the contract. The revenue associated with direct labour for professional services is recognised over time therefore the costs associated are expensed as incurred. The payments made to third parties for intellectual property licenses are capitalised when paid and recognised in line with associated revenue, whether this be over time or at a point in time. As of 31 December 2018, the Group has capitalized $0.8 million of cost to fulfil which are included within Prepaid expenses and other current assets as well as Other non-current assets on the Consolidated Statement of Financial Position.

4. Segment Information

Basis for Segmentation

The Directors are the Group's strategic decision-makers. The Group's operating segments are reported based on the financial information provided to the Directors at least quarterly for the purposes of allocating resources and assessing performance. The Directors monitor the results of four operating segments. Each operating segment is considered a distinct unit by the Directors. The Group's operating segments, which are also reportable segments, are outlined below. Substantially, all of the revenue and profit generating activities of the Group are generated within the US and accordingly, no geographical disclosures are provided.

During the year ended 31 December 2018, the Company revised its definition of operating segments. The change reflects how the Company's Board of Directors review the Group's results, allocates resources and assesses performance. This change has been adjusted in both the current and the prior period in the tables below.

Internal

The Internal division (the "Internal division"), is advancing a pipeline fuelled by recent discoveries in lymphatics and immune cell trafficking to modulate disease in a tissue-specific manner. These programmes leverage the transport and biodistribution of various immune system components for the targeted treatment of diseases with major unmet needs, including cancers, autoimmune diseases, and neuroimmune disorders. The Internal division is comprised of the technologies that will be advanced through either PureTech Health funding or non-dilutive sources of financing in the near-term. The operational management of the Internal division is conducted by the PureTech Health team, who is responsible for the strategy, business development, and research and development. As of 31 December 2018, this segment included Ariya Therapeutics, Inc., Calix Biopharma, Inc., Glyph Biosciences, Inc., and Nybo Therapeutics, Inc.

Affiliates

The Affiliate segment (the "Affiliate segment") is comprised of the programmes within PureTech's Affiliates division that are currently consolidated operational subsidiaries that either have, or have plans to hire, independent management teams and currently have already raised, or are currently in the process of raising, third-party dilutive capital. Currently, these subsidiaries have active research and development programmes and either have entered into or plan to seek a strategic partnership with an equity or debt investment partner, who will provide additional industry knowledge and networks, as well as, additional funding to continue the pursued growth of the company. As of 31 December 2018, this segment included Alivio Therapeutics, Inc., Entrega, Inc., Follica, Inc., Karuna Pharmaceuticals, Inc., Gelesis Inc., Sonde Health, Inc., CommenSe, Inc., Vedanta Biosciences, Inc., and Vor Biopharma, Inc.

Deconsolidated Affiliates

The Deconsolidated Affiliates segment (the "Deconsolidated Affiliates segment") is comprised of the programmes within PureTech's Affiliates division in respect of which PureTech Health (i) no longer holds majority voting control as a shareholder and (ii) no longer has the right to elect a majority of the members of the affiliate's Board of Directors. As of 31 December 2018, resTORbio, Inc. ("resTORbio") and Akili Interactive Labs, Inc. ("Akili") are Deconsolidated Affiliates. PureTech utilises the equity method of accounting when it owns ordinary shares in this segment. For the twelve months ended 31 December 2018, the spend and loss from continuing operations before taxes in the Deconsolidated Affiliates segment reflects Akili for the period between 8 May 2018 and 31 December 2018 and resTORbio for the period between 1 January 2018 and 6 November 2018.

Information About Reportable Segments:

	2018				
	Internal $000s	Affiliates $000s	Deconsolidated Affiliate $000s	Parent Company & Other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Loss					
Revenue from customers	2,110	14,232	-	29	16,371
Grant revenue	86	4,271	20	-	4,377
Total revenue	2,196	18,503	20	29	20,748
General and administrative expenses	(1,498)	(22,997)	(3,599)	(19,271)	(47,365)
Research and development expenses	(8,929)	(62,482)	(4,299)	(1,692)	(77,402)
Total operating expenses	(10,427)	(85,479)	(7,898)	(20,963)	(124,767)
Other income	-	120	-	35,432	35,462
Net finance costs	(222)	(7,086)	14,928	3,989	11,609
Share of net loss of associate accounted for using the equity method	-	-	-	(11,490)	(11,490)
Income/(loss) from continuing operations	(8,453)	(73,942)	7,050	6,907	(68,438)
Income/(loss) before taxes pre IAS 39 fair value accounting, finance cost - subsidiary preferred shares, share-based payment expense, impairment of tangible assets, depreciation of tangible assets and amortisation of intangible assets	(8,431)	(59,122)	(7,410)	(585)	(75,548)
Finance costs - subsidiary preferred shares	-	-	-	(106)	(106)
Finance costs - IFRS 9 (2018)/IAS 39 (2017) fair value accounting	-	(3,999)	14,855	11,775	22,631
Share-based payment expense	(11)	(8,355)	(372)	(3,899)	(12,637)
Depreciation of tangible assets	(7)	(2,191)	(22)	(256)	(2,476)
Amortisation of intangible assets	(4)	(275)	(1)	(22)	(302)
Loss before taxes	(8,453)	(73,942)	7,050	6,907	(68,438)
Taxation	-	(568)	2	(1,655)	(2,221)
Income/(loss) for the year	(8,453)	(74,510)	7,052	5,252	(70,659)
Other comprehensive income	-	(214)	-	(26)	(240)
Total comprehensive income/(loss) for the year	(8,453)	(74,724)	7,052	5,226	(70,899)
Total comprehensive income/(loss) attributable to:					
Owners of the Company	(1,139)	(47,981)	-	5,226	(43,894)
Non-controlling interests	(7,314)	(26,743)	7,052	-	(27,005)
Consolidated Statements of Financial Position:					
Total assets	2,985	39,767	-	399,011	441,763
Total liabilities	13,365	251,372	1	10,053	274,791
Net assets/(liabilities)	(10,380)	(211,605)	(1)	388,958	166,972

	2017				
	Internal $000s	Affiliates $000s	Deconsolidated Affiliate $000s	Parent Company & Other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Loss					

Revenue from customers	-	625	-	25	650
Grant revenue	-	1,755	130	-	1,885
Total revenue	-	2,380	130	25	2,535
General and administrative expenses	(1,214)	(18,101)	(8,822)	(18,146)	(46,283)
Research and development expenses	(2,978)	(44,809)	(20,676)	(3,209)	(71,672)
Total operating expenses	(4,192)	(62,910)	(29,498)	(21,355)	(117,955)
Other income	-	-	-	142,364	142,364
Net finance costs	(209)	(31,769)	(53,122)	5,053	(80,047)
Share of net loss of associate accounted for using the equity method	-	-	-	(17,608)	(17,608)
Income/(loss) from continuing operations	(4,401)	(92,299)	(82,490)	108,479	(70,711)
Income/(loss) before taxes pre IAS 39 fair value accounting, finance cost - subsidiary preferred shares, share-based payment expense, impairment of tangible assets, depreciation of tangible assets and amortisation of intangible assets	(4,380)	(56,279)	(28,247)	114,024	25,118
Finance costs - subsidiary preferred shares	-	(7,415)	(1,470)	(624)	(9,509)
Finance costs - IAS 39 fair value accounting	-	(19,878)	(51,852)	(5)	(71,735)
Share-based payment expense	(12)	(7,309)	(683)	(3,845)	(11,849)
Impairment of tangible assets	-	-	-	(637)	(637)
Depreciation of tangible assets	(9)	(1,147)	(49)	(412)	(1,617)
Amortisation of intangible assets	-	(271)	(189)	(22)	(482)
Loss before taxes	(4,401)	(92,299)	(82,490)	108,479	(70,711)
Taxation	-	31	(3)	(4,411)	(4,383)
Income/(loss) for the year	(4,401)	(92,268)	(82,493)	104,068	(75,094)
Other comprehensive income	-	408	-	1,750	2,158
Total comprehensive income/(loss) for the year	(4,401)	(91,860)	(82,493)	105,818	(72,936)
Total comprehensive income/(loss) attributable to:					
Owners of the Company	(454)	(62,510)	(14,224)	105,818	28,630
Non-controlling interests	(3,947)	(29,350)	(68,269)	-	(101,566)
Consolidated Statements of Financial Position:					
Total assets	127	58,270	20,368	261,081	339,846
Total liabilities	2,065	239,814	53,790	(15,423)	280,246
Net assets/(liabilities)	(1,938)	(181,544)	(33,422)	276,504	59,600

The Parent commences initiatives in theme-based technologies, raises capital for investment in new companies and existing subsidiaries, provides other corporate shared services and support for all subsidiaries and manages the new programme creation process.

The activity between the Parent and the reporting segments has been eliminated in consolidation. These elimination amounts are allocated to the subsidiaries.

The proportion of net assets shown above that is attributable to non-controlling interest is disclosed in note 16.

The Group's revenue generated outside of the US was approximately nil and $0.5 million for the years ended 31 December 2018 and 2017, respectively.

5. Investments in Associates

resTORbio

As of November 2017, resTORbio was deconsolidated from the Group's financial statements and was accounted for as an Associate rather than a subsidiary, resulting in only the profits and losses generated by resTORbio through November 2017 being included in the Group's Consolidated Statements of Comprehensive Income/(Loss) as of 31 December 2017. Upon the date of deconsolidation, PureTech Health recognised an investment in resTORbio related to its ordinary shares of $17.6 million and an investment held at fair value related to its Series A Preferred Shares of $72.2 million. As a result of the deconsolidation and fair value accounting for investments held on the date of deconsolidation, PureTech Health recorded an unrealised gain of $85.0 million in the Consolidated Statements of Comprehensive Income/(Loss).

As of 31 December 2017, PureTech's investment in resTORbio was subject to equity method accounting. In accordance with IAS 28, PureTech's investment was adjusted by the share of profits and losses generated by resTORbio subsequent to the date of deconsolidation. resTORbio's loss for December 2017 was greater than the initial investment recorded by PureTech Health upon deconsolidation, therefore, the share of net loss was accounted for using the equity method and was constrained to the investment recognised upon deconsolidation. PureTech Health recognised $17.6 million as its share of loss from resTORbio through the Consolidated Statements of Comprehensive Income/(Loss), bringing PureTech's investment to nil.

On 26 January 2018, resTORbio, Inc., closed its initial public offering. Prior to the resTORbio IPO, PureTech Health recorded a loss of $14.3 million during the year ended 31 December 2018 to the Consolidated Statement of Income/(Loss) on the line item Finance costs - subsidiary preferred shares to adjust the fair value related to its resTORbio Series A Preferred Share investment. Upon completion of the public offering, the resTORbio Series A Preferred Shares held by PureTech Health converted to ordinary shares. In light of PureTech's common stock holdings in resTORbio and corresponding voting rights, PureTech Health had re-established a basis to account for its investment in resTORbio under IAS 28. The preferred stock investment held at fair value was therefore reclassified to investment in associate upon the completion of the conversion.

The Company continuously re-evaluated its relationship with its Associates to identify any changes which may result in the loss of significant influence. As of 6 November 2018, it concluded the Company no longer exerted significant influence over resTORbio as PureTech lost the power to participate in the financial and operating policy decisions of resTORbio. As a result, PureTech's investment no longer met the scope of equity method accounting resulting in the investment being accounted for as an investment held at fair value. For the period of 1 January 2018 through 5 November 2018 PureTech's investment in resTORbio was subject to equity method accounting. In accordance with IAS 28, PureTech's investment was adjusted by the share of profits and losses generated by resTORbio, that resulted a net loss of associates accounted for using the equity method of $11.5 million that was recorded to the Consolidated Statement of Income/(Loss) on the line item Share of net loss of associates accounted for using the equity method during the year ended 31 December 2018. Upon loss of significant influence PureTech's investment was reclassified as an investment held at fair value, resulting in PureTech recognising a gain on loss of significant influence of $10.3 million that was recorded to the Consolidated Statement of Income/(Loss) on the line item Gain on loss of significant influence during the year ended 31 December 2018. Additionally, PureTech recorded a $33.0 million loss for the adjustment to fair value in connection with its investment in resTORbio to the Consolidated Statement of Income/(Loss) on the line item Loss on financial asset during the year ended 31 December 2018.

Investment in Associate	$000's
At 1 January 2017	-

Investment upon deconsolidation	17,608
Share of net loss of associate accounted for using the equity method	(17,608)
As of 31 December 2017	-
Investment upon initial public offering of associate	115,210
Cash investment in Associate	3,500
Share of net loss of Associate accounted for using the equity method1	(11,490)
Gain on loss of significant influence	10,287
Reclassification of investment upon loss of significant influence	(117,507)
As of 31 December 2018	-

1. The calculation of the share of net loss is shown in the table below.

Share of net loss of Associate	2018	2017
	$000s	$000s
Percentage ownership interest	34.90%	33.33%
Carrying amount of interest in Associate upon deconsolidation event	115,210	17,608
Profit/(loss) of Associate	(32,923)	(119,607)
Group's share of profit/(loss)	(11,490)	(17,608)

Investment held at fair value	$000's
At 1 January 2017	-
Investment held at fair value	71,935
Gain on investment held at fair value	57,583
As of 31 December 2017	129,518
Loss on investment held at fair value upon initial public offering	(14,308)
Reclassification of investment to investment in affiliate	(115,210)
Reclassification of investment upon loss of significant influence	117,507
Loss on investment held at fair value	(33,027)
As of 31 December 2018	84,480

Akili

As of 31 December 2017, PureTech Health maintained control of Akili and the subsidiary's financial results were fully consolidated in the Group's annual report.

On 8 May 2018, Akili completed the first close of a Series C Preferred Stock financing in which PureTech Health did not participate in this investment round. As a result of the issuance of the preferred shares to third-party investors, following the first close of the Series C financing, PureTech's ownership percentage and corresponding voting rights related to Akili dropped from 61.8 per cent to 41.9 per cent, triggering a loss of control over the entity. As of May 2018, Akili was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Akili through May 2018 being included in the Group's Consolidated Statements Comprehensive Income/(Loss). As a result of the deconsolidation, PureTech recognized a $41.7 million gain on the deconsolidation during the year ended 31 December 2018, which was recorded to the Consolidated Statement of Comprehensive Income/(Loss) on the line item the Gain on the deconsolidation of subsidiary.

PureTech Health removed all Akili's outstanding balances as of the date of deconsolidation, including all assets and liabilities as well as historical equity, as seen in the Consolidated Statement of Changes in Equity. Upon the date of deconsolidation, PureTech Health held preferred shares in Akili and no ordinary shares. As PureTech Health does not hold ordinary shares in Akili, the voting percentage attributable to common stock is nil. Therefore, PureTech Health had no basis to account for its investment in Akili under IAS 28, Investment in Associates and Joint Ventures. The preferred shares held by PureTech Health fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value and all movements to the value of PureTech's share in the preferred stock will be recorded through the Consolidated Statements of Comprehensive Income/ (Loss), in accordance with IFRS 9. During the year ended 31 December 2018, the Company recognised a gain of $12.7 million that was recorded on the line item Loss on investments held at fair value within the Consolidated Statements of Comprehensive Income/(Loss).

6. Operating Expenses

The average number of persons employed by the Group during the year, analysed by category, was as follows:

For the years ending 31 December:	2018	2017
General and administrative	55	56
Research and development	90	82
Total	145	138

The aggregate payroll costs of these persons were as follows:

For the years ending 31 December:	2018	2017

	$000s	$000s
General and administrative	22,939	22,348
Research and development	20,109	18,956
Total	43,048	41,304

Operating expenses were as follows:

For the years ending 31 December:	2018	2017
	$000s	$000s
Salaries and wages	27,274	26,244
Healthcare benefits	1,465	1,699
Payroll taxes	1,672	1,512
Share-based payments	12,637	11,849
Total payroll costs	43,048	41,304
Other SG&A expenses	24,426	23,935
Other R&D expenses	57,293	52,716
Total operating expenses	81,719	76,651

Total operating expenses were as follows:

For the years ending 31 December:	2018	2017
	$000s	$000s
General and administrative	47,365	46,283
Research and development	77,402	71,672
Total operating expenses	124,767	117,955

Auditors remuneration:

For the years ended 31 December:	2018	2017
	$000s	$000s
Audit of these financial statements	652	647
Audit of the financial statements of subsidiaries	200	254
Audit-related assurance services	321	132
Taxation	-	8
Total	1,173	1,041

See note 7 for further disclosures related to share-based payments and note 23 for management's remuneration disclosures.

7. Share-based Payments

Share-based payments includes stock options, restricted stock units ("RSUs") and performance-based restricted share unit awards in which the expense is recognised based on the grant date fair value of these awards.

Share-based Payment Expense

The Group share-based payment expense for the years ended 31 December 2018 and 2017, were comprised of charges related to the PureTech Health plc incentive stock and stock option issuances and subsidiary stock plans, as disclosed in the annual report and accounts.

The following table provides the classification of the Group's consolidated share-based payment expense as reflected in the Consolidated Statement of Income/(Loss):

For the years ended 31 December	2018	2017
	$000s	$000s
General and administrative	5,293	7,625
Research and development	7,344	4,224
Total	12,637	11,849

There was no income tax benefit recognised for share-based payment arrangements during the periods presented due to existence of operating losses for all issuing entities.

The Performance Share Plan

In June 2015, the Group adopted the Performance Share Plan ("PSP"). Under the PSP, awards of ordinary shares may be made to the Directors, senior managers and employees of, and other individuals providing services to the Company and its subsidiaries up to a maximum authorised amount of 22,724,800 ordinary shares. The shares have various vesting terms over a period of service between two and four years, provided the recipient remains continuously engaged as a service provider.

The share-based awards granted under The Performance Share Plan are equity settled and expire 10 years from the grant date. As of the years ended 31 December 2018 and 2017, the Company had issued share-based awards to purchase an aggregate of 5,657,602 and 1,486,576 shares, respectively, under this plan.

RSUs

During the twelve months ended 31 December 2018, the Company issued 2,860,782 performance based RSUs under the PSP plan.

Each RSU entitles the holder to one ordinary share on vesting and the RSU awards are based on a cliff vesting schedule over a three-year requisite service period in which the Company recognises compensation expense on a graded basis for the RSUs. Following vesting, each recipient will be required to make a payment of one pence per ordinary share on settlement of the RSUs. Vesting of the RSUs is subject to the satisfaction of performance conditions.

The Company recognises the estimated fair value of performance-based awards as share-based compensation expense over the performance period based upon its determination of whether it is probable that the performance targets will be achieved. The Company assesses the probability of achieving the performance targets at each reporting period. Cumulative adjustments, if any, are recorded to reflect subsequent changes in the estimated outcome of performance-related conditions.

The fair value of the performance-based awards is based on the Monte Carlo simulation analysis utilising a Geometric Brownian Motion process with 250,000 simulations to value those shares. The model considers share price volatilities, risk-free rate and other covariance of comparable public companies and other market data to predict distribution of relative share performance.

The performance conditions attached to the RSUs are based on the achievement of total shareholder return ("TSR"), with 50 per cent of the shares under award vesting based on the achievement of absolute TSR targets, 12.5 per cent of the shares under the award vesting based on TSR as compared to the FTSE SmallCap Index, 12.5 per cent of the shares under the award vesting based on TSR as compared to the MSCI Europe Health Care Index, and 25 per cent of the shares under the award vesting based on the achievement of strategic targets.

The Company incurred share-based payment expense for the performance based RSUs of $2.3 million and $1.5 million for the twelve months ended 31 December 2018 and 2017, respectively.

Stock Options

During the twelve months ended 31 December 2018, the Company granted 2,796,820 stock option awards under the PSP.

The fair value of the stock options awarded by the Company was estimated at the grant date using the Black-Scholes option valuation model, considering the terms and conditions upon which options were granted, with the following weighted- average assumptions:

At 31 December:	2018	2017
Expected volatility	44.18%	28.92%
Expected terms (in years)	6.08	5.84
Risk-free interest rate	2.79%	1.96%
Expected dividend yield	-	-
Grant date fair value	$0.96	$0.43
Share price at grant date	$2.05	$1.45

The Company incurred share-based payment expense for the stock options of $1.4 million and $0.6 million for the twelve months ended 31 December 2018 and 2017, respectively.

PureTech LLC Incentive Stock Issuance

In May 2015 and August 2014, PureTech Health LLC Directors approved the issuance of shares to management, the directors and advisors of PureTech Health LLC, subject to vesting restrictions. The share-based awards granted under the 2016 PureTech LLC Incentive Stock Issuance Plan are equity settled and expire 10 years from the grant date. No additional shares will be granted under this compensation arrangement. The fair value of the shares awarded was estimated as of the date of grant.

The Company incurred an expense of $0.2 million and $1.7 million in share-based payment expense for the twelve months ended 31 December 2018 and 2017, respectively, related to PureTech Health LLC incentive compensation.

As of 31 December 2018, all shares related to the pre-IPO incentive compensation plan had fully vested.

Subsidiary Plans

Certain subsidiaries of the Group have adopted stock option plans. A summary of stock option activity by number of shares in these subsidiaries is presented in the following table:

	Outstanding as of 1 January 2018	Granted During the Year	Exercised During the Year	Expired During the Year	Forfeited During the Year	Outstanding as of 31 December 2018
Gelesis	2,728,232	953,500	-	-	-	3,681,732
Alivio	2,393,750	-	-	-	-	2,393,750
Akili	2,385,355	-	-	-	(2,385,355)1	-
Ariya	-	2,180,000	-	-	-	2,180,000
Commense	418,750	121,666	-	-	-	540,416

Entrega	867,750	60,000	-	(3,750)	-	924,000
Follica	1,271,302	-	-	(41,850)	-	1,229,452
Karuna	855,427	1,111,000	-	(4,125)	(12,375)	1,949,927
Knode	32,500	-	-	(32,500)	-	-
Sonde	35,000	-	-	(6,250)	(6,250)	22,500
Tal	1,663,806	-	-	(30,250)	(2,750)	1,630,806
The Sync Project	1,080,000	-	-	-	(1,080,000)	-
Vedanta	1,194,014	278,786	-	(24,800)	(74,250)	1,373,750

	Outstanding as of 1 January 2017	Granted During the Year	Exercised During the Year	Expired During the Year	Forfeited During the Year	Outstanding as of 31 December 2017
Gelesis	2,489,031	297,500	-	-	(58,299)	2,728,232
Alivio	-	2,393,750	-	-	-	2,393,750
Akili	1,599,423	795,432	(9,500)	-	-	2,385,355
Commense	400,000	18,750	-	-	-	418,750
Entrega	821,500	52,500	-	-	(6,250)	867,750
Follica	449,505	1,119,283	-	(190,059)	(107,427)	1,271,302
Karuna	742,677	112,750	-	-	-	855,427
Knode	75,000	-	-	(45,000)	2,500	32,500
Sonde	-	57,500	-	(4,687)	(17,813)	35,000
Tal	1,763,806	-	-	(75,000)	(25,000)	1,663,806
The Sync Project	850,000	230,000	-	-	-	1,080,000
Vedanta	882,250	359,764	-	(11,438)	(36,562)	1,194,014

1. These shares represent the options outstanding on the date of Akili's deconsolidation.

The weighted average exercise prices for the options granted for the years ended 31 December 2018 and 2017 are as follows:

For the years ended 31 December:	2018	2017
	$	$
Akili	-	2.55
Alivio	-	0.03
Ariya	0.03	-
Commense	1.34	0.92
Entrega	1.95	2.36
Follica	-	0.93
Karuna	9.42	7.08
Sonde	-	0.13
Sync	-	0.07
Vedanta	14.66	12.88

Significant Subsidiary Plans

Gelesis 2016 Stock Incentive Plan

In September 2016, the Directors of Gelesis approved the 2016 Stock Incentive Plan (the "2016 Gelesis Plan") which provides for the grant of incentive stock options, nonqualified stock options, and restricted stock to employees, directors, and nonemployees of Gelesis. At 31 December 2018, 329,559 shares remained available for issuance under the Gelesis Plan.

The options granted under the 2016 Gelesis Plan are equity settled and expire 10 years from the grant date. Typically, the awards vest in three years but vesting conditions can vary based on the discretion of Gelesis Board of Directors.

Options granted under the 2016 Gelesis Plan are exercisable at a price per share not less than the fair market value of the underlying ordinary shares on the date of grant. The estimated fair value of options, including the effect of estimated forfeitures, is recognised over the options' vesting period.

The fair value of the stock option grants has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Assumption/Input	2018	2017
Expected award life (in years)	6.22	5.68
Expected award price volatility	64.58%	67.99%
Risk free interest rate	2.79%	1.80%
Expected dividend yield	-	-
Grant date fair value	$7.84	$7.72
Share price at grant date	$12.82	$11.56

Gelesis used an average historical share price volatility based on an analysis of reported data for a peer group of comparable companies which were selected based upon industry similarities. As there is not sufficient historical share exercise data to calculate the expected term of the options, Gelesis elected to use the "simplified" method for all options granted at the money to value share option grants. Under this approach, the weighted average expected life is presumed to be the average of the vesting term and the contractual term of the option.

Gelesis incurred share-based compensation expense of $3.9 million and $4.2 million for the years ended 31 December 2018 and 2017, respectively.

Vedanta 2010 Stock Incentive Plan

In 2010, the Board of Directors for Vedanta approved the 2010 Stock Incentive Plan (the "2010 Plan"). It allowed for the issuance 1,000,000 share-based compensation awards through incentive stock options, nonqualified stock options, and restricted stock to employees, directors, and nonemployees of Vedanta. In September 2018, the Board of Directors amended the 2010 Plan increased the aggregate number of shares to 1,660,503. At 31 December 2018, 106,865 shares remained available for issuance under the Vedanta Plan.

The options granted under the 2016 Vedanta Plan are equity settled and expire 10 years from the grant date. Typically, the awards vest in three years but vesting conditions can vary based on the discretion of Vedanta's Board of Directors.

Options granted under the 2016 Vedanta Plan are exercisable at a price per share not less than the fair market value of the underlying ordinary shares on the date of grant. The estimated fair value of options, including the effect of estimated forfeitures, is recognised over the options' vesting period.

The fair value of the stock option grants has been estimated at the date of grant using the Black-Scholes option pricing model with the following range of average assumptions:

Assumption/Input	2018	2017
Expected award life (in years)	6.03-6.16	5.66-10.00
Expected award price volatility	91.60%-92.56%	66.0%-76.0%
Risk free interest rate	2.65%-2.78%	1.13%-2.37%
Expected dividend yield	-	-
Grant date fair value	$11.21-$11.26	$6.76-$9.01
Share price at grant date	$14.66	$11.56

Vedanta incurred share-based compensation expense of $2.1 million and $2.4 million for the years ended 31 December 2018 and 2017, respectively.

Karuna Pharmaceuticals, Inc. 2009 Stock Incentive Plan

In 2009, the Board of Directors for Karuna Pharmaceuticals, Inc. approved the 2009 Stock Incentive Plan (the "Karuna 2009 Plan"). It allowed for the issuance of 1,000,000 share-based compensation awards through stock options, restricted stock units and other stock-based awards under the Karuna 2009 Plan to employees, officers, directors, consultants and advisors of Karuna. At 31 December 2018, 106,865 shares remained available for issuance under the Karuna 2009 Plan.

The options granted under the Karuna 2009 Plan are equity settled and expire 10 years from the grant date. Typically, the awards vest in three years but vesting conditions can vary based on the discretion of Karuna's Board of Directors.

Options granted under the Karuna 2009 Plan are exercisable at a price per share not less than the fair market value of the underlying ordinary shares on the date of grant. The estimated fair value of options, including the effect of estimated forfeitures, is recognised over the options' vesting period.

The fair value of the stock option grants has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Assumption/Input	2018	2017
Expected award life (in years)	5.67	6.07
Expected award price volatility	49.66%	50.28%
Risk free interest rate	2.86%	1.95%
Expected dividend yield	-	-
Grant date fair value	$1.69	$3.51
Share price at grant date	$9.40	$7.08

Karuna incurred share-based compensation expense of $1.9 million and $0.4 million for the years ended 31 December 2018 and 2017, respectively.

Other Plans

The stock compensation expense under plans at other subsidiaries of the Group not including Gelesis, Vedanta and Karuna was $0.8 million and $1.0 million for the years ended 31 December 2018 and 2017, respectively.

8. Finance Cost, net

The following table shows the breakdown of finance income and costs:

For the years ended 31 December	2018	2017
	$000s	$000s
Finance income		
Interest from financial assets not at fair value through profit or loss	3,358	1,750
Total finance income	3,358	1,750
Finance costs		
Contractual interest expense on convertible notes	(388)	(400)
Interest expense on other borrowings	(4)	(4)
Non-cash interest expense on convertible securities	-	(300)
Loss on forgiveness of debt	289	-
Loss on extinguishment of derivatives	-	(18)
Gain on foreign currency exchange	137	169
Total finance costs - contractual	34	(553)
Gain from change in fair value of warrant liability	82	1,847
Gain/(loss) on fair value measurement of derivative liability	22,549	(73,582)
Total finance costs - fair value accounting	22,631	(71,735)
Total finance costs - subsidiary preferred shares	(14,414)	(9,509)
Total finance costs	8,251	(81,797)
Finance costs, net	11,609	(80,047)

9. Earnings/(Loss) per Share

The basic and diluted loss per share has been calculated by dividing the income/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the years ended 31 December 2018 and 2017, respectively.

Income/(Loss) Attributable to Owners of the Company:

	2018		2017	
	Basic	Diluted	Basic	Diluted
	$000s	$000s	$000s	$000s
Income/(loss) for the year, attributable to the owners of the Company	(43,654)	(43,654)	26,472	26,472
Income/(loss) attributable to ordinary shareholders	(43,654)	(43,654)	26,472	26,472

Weighted-Average Number of Ordinary Shares:

2018			2017	
	Basic	Diluted	Basic	Diluted
Issued ordinary shares at 31 December	236,897,579	236,897,579	232,712,542	232,712,542
Effect of shares issued	36,950,688	36,950,688	2,819,846	2,819,846
Effect of dilutive shares	-	-	-	3,388,920
Weighted average number of ordinary shareholders	273,848,267	273,848,267	235,532,388	238,921,308

Earnings/(Loss) per Share:

	2018	2017

	Basic	Diluted	Basic	Diluted
Basic and diluted earnings/(loss) per share	$(0.16)	$(0.16)	$0.11	$0.11

For the years ended 31 December 2018 and 2017 there were 11,867,641 and 5,727,477 shares, respectively, excluded from the computation of diluted weighted average ordinary shares outstanding because such shares are considered anti-dilutive since they are not vested.

10. Property and Equipment

	Laboratory and Manufacturing Equipment	Furniture and Fixtures	Computer Equipment and Software	Leasehold Improvements	Construction in process	Total
Cost	$000s	$000s	$000s	$000s	$000s	$000s
Balance as of 1 January 2017	5,345	278	854	2,676	11	9,164
Additions, net of transfers	1,251	199	399	170	72	2,091
Disposals	(763)	-	-	-	-	(763)
Deconsolidation of subsidiary	(38)	-	(1)	-	-	(39)
Reclassifications	38	-	(38)	9	(9)	-
Exchange differences	249	(8)	-	44	-	285
Balance as of 31 December 2017	6,082	469	1,214	2,899	74	10,738
Additions, net of transfers	1,586	27	477	2,070	171	4,331
Disposals	(261)	(8)	(260)	(27)	-	(556)
Exchange differences	(101)	-	-	(18)	(6)	(125)
Balance as of 31 December 2018	7,306	488	1,431	4,924	239	14,388

	Laboratory and Manufacturing Equipment	Furniture and Fixtures	Computer Equipment and Software	Leasehold Improvements	Construction in process	Total
Accumulated depreciation and impairment loss	$000s	$000s	$000s	$000s	$000s	$000s
Balance as of 1 January 2017	(1,337)	(116)	(315)	(472)	-	(2,240)
Depreciation	(1,039)	(56)	(213)	(309)	-	(1,617)
Disposals	126)	-	-	-	-	126
Deconsolidation of subsidiary	3	-	-	-	-	3
Reclassifications	-	-	-	-	-	-
Exchange differences	(113)	(3)	(6)	(26)	-	(148)
Balance as of 31 December 2017	(2,360)	(175)	(534)	(807)	-	(3,876)
Depreciation	(1,032)	(60)	(296)	(1,088)	-	(2,476)
Disposals	114)	2	74	20	-	210
Exchange differences	56	-	-	21	-	77
Balance as of 31 December 2018	(3,222)	(233)	(756)	(1,854)	-	(6,065)

	Laboratory and Manufacturing Equipment	Furniture and Fixtures	Computer Equipment and Software	Leasehold Improvements	Construction in process	Total
Property and Equipment, net	$000s	$000s	$000s	$000s	$000s	$000s
Balance as of 31 December 2017	3,722	294	680	2,092	74	6,862
Balance as of 31 December 2018	4,084	255	675	3,070	239	8,323

Depreciation of property and equipment is included in the General and administrative expenses and Research and development expenses line items in the Consolidated Statements of Comprehensive Income/(Loss). The Company recorded depreciation expense of $2.5 million and $2.2 million for the years ended 31 December 2018 and 2017, respectively.

11. Intangible Assets

Intangible assets consist of licenses of intellectual property acquired by the Group through various agreements with third parties and are recorded at the value of cash and non-cash consideration transferred. Information regarding the cost and accumulated amortisation of intangible assets is as follows:

Cost	Licenses
	$000s

Balance at 1 January 2017	4,938
Additions	5,080
Deconsolidation of subsidiary	(5,000)
Balance at 31 December 2017	5,018
Additions	125
Deconsolidation of subsidiary	(76)
Balance at 31 December 2018	5,067

Accumulated amortisation	Licenses
	$000s
Balance at 1 January 2017	(1,414)
Amortisation	(482)
Deconsolidation of subsidiary	187
Balance at 31 December 2017	(1,709)
Amortisation	(302)
Deconsolidation of subsidiary	24
Balance at 31 December 2018	(1,987)

Intangible assets, net	Licenses
	$000s
Balance at 31 December 2017	3,309
Balance at 31 December 2018	3,080

Amortisation expense is included in the Research and development expenses line item in the accompanying Consolidated Statements of Comprehensive Income/(Loss). Amortisation expense, recorded using the straight-line method, was approximately $0.3 million and $0.5 million for the years ended 31 December 2018 and 2017, respectively.

12. Investments held at fair value

Investments held at fair value include both unlisted and listed securities held by PureTech. These investments, which include resTORbio, Akili, and other insignificant investments, are initially measured at fair value and are subsequently re-measured at fair value at each reporting date. Refer to note 5 for further discussion around Akili and resTORbio, two entities that were previously consolidated in the financial statements but are now investments held at fair value due to loss of control and/or loss of significant influence. Interests in these investments are accounted for as investments held at fair value, as shown below:

	$000s
Balance at 1 January 2017	83
Deconsolidation of subsidiary	72,184
Gain - other comprehensive income/(loss)	1,750
Gain - fair value through profit and loss	57,334
Balance at 31 December 2017	131,351
Deconsolidation of subsidiary	70,748
Reclassification of investment between investment in affiliate and investment held for sale	2,297
Gain - comprehensive income/(loss)	(26)
Loss - fair value through profit and loss	(34,615)
Balance at 31 December 2018	169,755

13. Other Financial Assets

Other financial assets consist of restricted cash held, which represents amounts that are reserved as collateral against letters of credit with a bank that are issued for the benefit of a landlord in lieu of a security deposit for office space leased by the Group. Information regarding restricted cash was as follows:

As of 31 December	2018	2017
	$000s	$000s
Restricted cash	2,199	927
Total other financial assets	2,199	927

14. Equity

Total equity for PureTech as of 31 December 2018 and 2017 was as follows:

Equity	31 December 2018 $000s	31 December 2017 $000s
Share capital, £0.01 par value, issued and paid 282,493,867 and 237,429,696 as of 31 December 2018 and 2017, respectively	5,375	4,679
Merger reserve	138,506	138,506
Share premium	278,385	181,588
Translation reserve	10	224
Other reserves	20,923	17,178
Accumulated deficit	(167,692)	(132,270)
Equity attributable to owners of the Group	275,507	209,905
Non-controlling interests	(108,535)	(150,305)
Total equity	166,972	59,600

Shareholders are entitled to vote on all matters submitted to shareholders for a vote. Each ordinary share is entitled to one vote. Each ordinary share is entitled to receive dividends when and if declared by the Company's Directors. The Company has not declared any dividends in the past.

Other reserves comprise the cumulative credit to share-based payment reserves corresponding to share-based payment expenses recognised through Consolidated Statements of Comprehensive Income/(Loss).

15. Subsidiary Preferred Shares

On 1 January 2018, the Company adopted IFRS 9, which replaced IAS 39 for the annual period beginning on 1 January 2018. IFRS 9 addresses the classification, measurement, and recognition of financial liabilities. Preferred shares issued by subsidiaries and affiliates often contain redemption and conversion features that are assessed under IFRS 9 in conjunction with the host preferred share instrument.

As part of the transition requirement, the Company had the option upon implementation of the new standard to designate a financial liability as measured at FVTPL. The Group re-assessed its financial liabilities and elected to not split out the embedded derivatives and instead retrospectively recorded changes in the fair value of the entire financial liability instrument through the statement of profit and loss, leading to changes in the carrying value of the instruments when looked at in the aggregate.

The subsidiary preferred shares are convertible into ordinary shares of the subsidiaries at the option of the holder and mandatorily convertible into ordinary shares upon a subsidiary listing in a public market at a price above those specified in the subsidiary's charter or upon the vote of the holders of subsidiary preferred shares specified in the charter. Under certain scenarios the number of ordinary shares receivable on conversion will change and therefore, a variable number of shares will be issued. Because the possible conversion of the preferred shares is outside of the control of the Group, these have been classified as liabilities on the balance sheet.

The preferred shares are entitled to vote with holders of common stock on an as converted basis.

The Group recognises the preferred share balance upon the receipt of cash financing or upon the conversion of notes into preferred shares at the amount received or carrying balance of any notes and derivatives converted into preferred shares. Preferred shares are not allocated a proportion of the subsidiary losses.

The following summarises the subsidiary preferred share balance:

As of 31 December	2018 $000s	2017 $000s
Akili	-	19,935
Entrega	2,780	2,071
Follica	60	465
Gelesis	140,192	58,714
Karuna	32,342	5
The Sync Project	109	1,734
Tal1	113	11,219
Vedanta Biosciences	41,923	25,908
Total subsidiary preferred share balance	217,519	120,051

1. The value of Tal's preferred shares significantly decreased due to winding down of operations, as further explained in note 26.

As is customary, in the event of any voluntary or involuntary liquidation, dissolution or winding up of a subsidiary, the holders of subsidiary preferred shares which are outstanding shall be entitled to be paid out of the assets of the subsidiary available for distribution to shareholders and before any payment shall be made to holders of ordinary shares. A merger, acquisition, sale of voting control or other transaction of a subsidiary in which the shareholders of the subsidiary do not own a majority of the outstanding shares of the surviving company shall be deemed to be a liquidation event. Additionally, a sale, lease, transfer or other disposition of all or substantially all of the assets of the subsidiary shall also be deemed a liquidation event.

For the year ended 31 December 2018 and 2017, the minimum liquidation preference reflects the amounts that would be payable to the subsidiary preferred holders upon a liquidation event of the subsidiaries, which is as follows:

As of 31 December	2018	2017
	$000s	$000s
Akili	-	21,972
Entrega	2,216	-
Follica	1,895	2,020
Gelesis	77,301	60,490
Karuna	24,343	413
Tal	113	11,430
Vedanta Biosciences	41,923	15,445
Total minimum liquidation preference	147,791	111,770

As at 31 December 2018, Tal ceased operations and was in the process of liquidating. Therefore, the liquidation preference shown above equals the cash on hand, as this will be paid out to existing investors.

For the year ended 31 December 2018, the minimum liquidation preference increased due to the issuance of third-party shares in connection with the Vedanta Series B and C and the Karuna Series A financings.

For the years ended 31 December 2018 and 2017, the Group recognised the following changes in the value of subsidiary preferred shares:

	$000s
Balance at 1 January 2017	96,937
Issuance of new preferred shares	24,969
Value of derivatives at issuance	(364)
Increase in value of preferred shares measured at fair value	31,747
Deconsolidation of resTORbio	(42,747)
Accretion	9,509
Balance at 31 December 2017	120,051
Adjustment to preferred shares due to adoption of IFRS 9	95,584
Issuance of new preferred shares	54,537
Conversion of convertible notes	7,930
Decrease in value of preferred shares measured at fair value	(23,110)
Sale of The Sync Group	(1,062)
Deconsolidation of subsidiary	(36,517)
Accretion	106
Balance at 31 December 2018	217,519

2018

On 28 February 2018, Gelesis received $30 million, of which $25 million was received from outside investors, through the issuance of its Series 2 Growth Preferred Stock. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares.

In May 2018, Akili issued Series C Preferred Stock for aggregate proceeds of $55.0 million; PureTech Health did not participate in this investment. Upon closing of Akili's Series C financing, the subsidiary was deconsolidated by PureTech Health (see note 3).

In August 2018, Karuna authorised 3,126,700 shares of Series A Preferred Stock. In the same month, Karuna issued 1,188,707 shares of Series A Preferred Stock at an issuance price of $13.46, resulting in gross proceeds of $16.0 million, which was contributed by outside investors. In conjunction with the August 2018 issuance of Series A preferred stock, $26.1 million of outstanding principal and accrued interest on notes payable converted to 1,937,993 shares of Series A redeemable convertible preferred stock, of which $7.9 million related to outside investors.

On 21 December 2018, Vedanta issued Series C Preferred Stock for aggregate proceeds of $26.7 million, with $21.7 million from outside investors. It has been determined that these shares are liability classified and contain a liability classified embedded derivative.

2017

In January 2017, Vedanta Biosciences closed the second tranche of its Series B Preferred Share financing for gross proceeds of $24.9 million, with $9.9 million from outside investors.

Between January 2017 and May 2017, Sync received $1.1 million from outside investors through the issuance of convertible notes, which was included as proceeds from the issuance of convertible notes in the Condensed Consolidated Statements of Cash Flows. In May 2017, these notes, plus accrued interest, converted into preferred shares in accordance with the terms of the notes.

Between September 2017 and December 2017, Sync received an additional $0.8 million through the issuance of Series A-2 Preferred Stock, of which PureTech Health purchased $0.3 million.

In December 2017, Entrega closed a Series A-2 Preferred Stock financing in which Eli Lilly invested $2.0 million. In conjunction its investment in the financing, Eli Lilly entered into a Research Collaboration Agreement with Entrega, pursuant to which Eli Lilly agreed to contribute a total of $3.0 million to Entrega through 2020.

In March 2017, resTORbio executed a licensing agreement with Novartis pursuant to which resTORbio obtained rights to intellectual property in exchange for Series A preferred shares which were valued at $5.0 million. Between March and October 2017, resTORbio issued additional Series A Preferred Stock for aggregate proceeds of $25.0 million, of which PureTech Health invested $19.0 million. Upon closing of resTORbio's Series B financing, the subsidiary was deconsolidated from PureTech Health (see note 3).

16. Non-Controlling Interest

The following summarises the changes in the equity classified non-controlling ownership interest in subsidiaries by reportable segment:

			Deconsolidated	Parent Company & Other	
	Internal	Affiliates	Affiliate	$000s	Total
	$000s	$000s	$000s		$000s
Balance at 1 January 2017	-	(61,909)	(23,346)	-	(85,255)
Share of comprehensive loss	(1,484)	(31,813)	(68,269)	-	(101,566)
Deconsolidation of resTORbio	-	-	28,449	-	28,449
Equity settled share-based payments	-	6,122	1,342	603	8,067
Balance at 31 December 2017	(1,484)	(87,600)	(61,824)	603	(150,305)
Share of comprehensive loss	(7,314)	(26,743)	7,052	-	(27,005)
Deconsolidation of Akili	-	-	55,168	-	55,168
IFRS 9 implementation impact	-	5,488	(769)	-	4,719
Equity settled share-based payments	11	8,354	372	151	8,888
Balance at 31 December 2018	(8,787)	(100,501)	(1)	754	(108,535)

The impact of the deconsolidation of resTORbio and Akili results in no net impact to the Consolidated Statements of Financial Position. Please refer to note 5 Investment in Associates.

The following tables summarise the financial information related to the Group's subsidiaries with material non-controlling interests, aggregated for interests in similar entities, and before intra group eliminations.

	2018		
			Deconsolidated
For the year ended 31 December:	Internal	Affiliates	Affiliate
	$000s	$000s	$000s
Statement of Comprehensive Loss			
Total revenue	2,196	18,503	20
Income/(loss) for the year	(8,453)	(74,510)	7,050
Other comprehensive income/(loss)	-	(214)	-
Total comprehensive income/(loss) for the year	(8,453)	(74,724)	7,052
Statement of Financial Position			
Total assets	2,985	39,767	-
Total liabilities	13,365	251,372	1
Net assets/(liabilities)	(10,380)	(211,605)	(1)

	2017		
			Deconsolidated
For the year ended 31 December:	Internal	Affiliates	Affiliate
	$000s	$000s	$000s
Statement of Comprehensive Loss			
Total revenue	-	2,380	130
Loss for the year	(4,401)	(92,268)	(82,493)
Other comprehensive income/(loss)	-	408	-
Total comprehensive loss for the year	(4,401)	(91,860)	(82,493)
Statement of Financial Position			
Total assets	127	58,270	20,368
Total liabilities	2,065	239,814	53,790
Net assets/(liabilities)	(1,938)	(181,544)	(33,422)

1. Independent affiliate non-controlling interest calculation does not include equity method accounting, fair value method accounting or the gain on the deconsolidation of subsidiary related to resTORbio or Akili, which is recorded within PureTech Health, LLC. Refer to note 5.

17. Subsidiary Notes Payable

The subsidiary notes payable are comprised of loans and convertible notes. As of 1 January 2018, the Group adopted IFRS 9, and as a result, where the instruments contained liability classified embedded derivatives, an election was taken to fair value the entire financial instrument through profit and loss rather than bifurcate the embedded derivative. During the years ended 31 December 2018 and 2017, the financial instruments for Knode and Appeering did not contain embedded derivatives and therefore these instruments continue to be held at amortised cost. During the year ended 31 December 2017, the financial instrument for Entrega did not contain an embedded derivative. The notes payable consists of the following:

As of 31 December	2018	2017
	$000s	$000s
Loans	2,552	2,547
Convertible notes	9,458	4,908
Total subsidiary notes payable	12,010	7,455

Loans

In October 2010, Follica entered into a loan and security agreement with Lighthouse Capital Partners VI, L.P. The loans are secured by Follica's assets, including Follica's intellectual property, and totalled approximately $1.3 million for the years ending 31 December 2018 and 2017.

In May 2014, Gelesis entered into a grant and loan agreement with an Italian economic development agency. Borrowings under the loan totalled €1.1 million and €1.3 million at 31 December 2018 and 2017, respectively (approximately $1.3 million at 31 December 2018 and 2017). The loan bears interest at 0.33 per cent per year. Gelesis was required to make interest payments only in fiscal years 2014 and 2015, with principal and interest payments from January 2017 through January 2024.

Funds awarded under the grant may be revoked if irregularities are identified during inspection of costs by the Italian economic development agency or for failure to implement or comply with the project plan or to achieve the objectives of the project plan for reasons within Gelesis' control. In the event of a revocation of the grant, Gelesis would be required to repay the loan immediately, including accrued interest.

Convertible Notes

Convertible Notes outstanding were as follows:

	Karuna	Follica	Entrega	Knode	Appeering	Sync	Total
	$000s	$000s	$000s	$000s	$000s	$000s	$000s
1 January 2017	3,694	450	125	50	75	10	4,404
Gross principle	404	1,132	-	-	-	1,080	2,616
Discount	(71)	(1,127)	-	-	-	-	(1,198)
Accretion	262	39	-	-	-	-	301
Conversion	-	-	(125)	-	-	(1,090)	(1,215)
31 December 2017	4,289	494	-	50	75	-	4,908
Gross principle	4,700	1,124	-	-	-	-	5,824
Adjustment for fair value	(93)	(35)	-	-	-	-	(128)
Conversion	(7,581)	-	-	-	-	-	(7,581)
Adjustment due to the adoption of IFRS 9	1,523	4,912	-	-	-	-	6,435
31 December 2018	2,838	6,495	-	50	75	-	9,458

Certain of the Group's subsidiaries have issued convertible promissory notes ("Notes") to fund their operations with an expectation of an eventual share-based award settlement of the Notes.

Substantially all Notes become due and payable on or after either 31 December of the year of issuance or on the thirtieth day following a demand by the majority of Note holders and bear interest at a rate of either 8.0 per cent (or 12.0 per cent upon an Event of Default) or 10.0 per cent (or 15.0 per cent upon an Event of Default). Interest is calculated based on actual days elapsed for a 360-day calendar year. Generally, the Notes cannot be prepaid without approval from the holders of a majority of the outstanding principle of a series of Notes. During the year ended 31 December 2017, the Notes contained embedded conversion features that were assessed under IAS 39, Financial Instruments, and determined to be liability classified derivatives. During the year ended 31 December 2018, the Notes were assessed under IFRS 9 and the entire financial instruments are elected to be accounted for as FVTPL.

During the years ended 31 December 2018 and 2017, the Notes constitute complex hybrid instruments, which contain equity conversion features where holders may convert, generally at a discount, the outstanding principal and accrued interest into shares of the subsidiary before maturity and redemption options upon a change of control of the respective subsidiary.

The three key features are described below:

· Automatic conversion feature - upon a Qualified Financing, the unpaid principal and interest amounts are automatically converted into shares of the subsidiary issued in the Qualifying Financing at a conversion price equal to the price shares are sold in such Qualified Financing, less a discount. The discounts range from 5.0 per cent to 25.0 per cent and some require the issuance of an equal number of ordinary shares.

· Optional conversion feature - upon a Non-Qualified Financing, holders may convert the outstanding principal balance and unpaid interest to shares issued in the Non-Qualifying Financing at a conversion price equal to the price shares are sold in such Non-Qualified Financing, less a discount. The discounts range from 5.0 per cent to 25.0 per cent and some require the issuance of an equal number of ordinary shares.

· Change of control features - The Notes also generally contain a put option such that, in the event of a Change of Control transaction of the respective subsidiary prior to conversion or repayment of the Notes, the holders will be paid an amount equal to two or three times the outstanding principal balance plus any accrued and unpaid interest, in cash, on the date of the Change of Control.

In August 2018, Karuna's outstanding Convertible Notes were converted to Series A preferred stock.

In conjunction with its December 2017 private financing, Entrega converted $0.1 million of notes payable plus accrued interest into preferred shares.

In May 2017 and September 2017, Follica, Inc. received $0.5 million and $0.6 million, respectively, from an existing third-party investor through the issuance of convertible notes. The notes bear interest at an annual rate of 10 per cent, mature 30 days after demand by the holder, are convertible into equity upon a qualifying financing event, and require payment of at least five times outstanding principal and accrued interest upon a change of control transaction.

Between January 2017 and May 2017, Sync received $1.1 million from outside investors through the issuance of convertible notes. In May 2017, these notes, plus accrued interest, converted into preferred shares in accordance with the terms of the notes.

18. Trade and Other Payables

As of 31 December	2018	2017
	$000s	$000s
Trade payables	4,644	3,394
Accrued expenses	11,231	12,964
Total trade and other payables	15,875	16,358

19. Other Long-Term Liabilities

Information regarding Other long-term liabilities was as follows:

As of 31 December	2018	2017
	$000s	$000s
Deferred rent	1,283	587
Lease incentive obligation	357	410
Accrued professional fees	738	738
Other	138	93
Other long-term liabilities	2,516	1,828

20. Leases

Office and laboratory space is rented under non-cancellable operating leases. These lease agreements contain various clauses for renewal at the Group's option and, in certain cases, escalation clauses typically linked to rates of inflation.

Minimum rental commitments under non-cancellable leases were payable as follows:

As of 31 December	2018	2017
	$000s	$000s
Within one year	4,295	2,055
Between one and five years	25,489	5,990
More than five years	24,639	760
Total minimum lease payments	54,423	8,805

During the year ended 31 December 2018, the Group determined that there were certain tenant improvement allowances that were originally classified as a as a reduction to leasehold improvements rather than as a liability. The Company concluded that the impact of the change of a reclassification from property and equipment to other current and long-term liabilities was not material to the Consolidated Financial Statements presented in the Annual Report of 31 December 2018 and 2017.

Total rent expense under these leases was approximately $2.5 million and $1.3 million during the years ended 31 December 2018 and 2017, respectively. Rent expense is included in the General and administrative expenses line item in the Consolidated Statements of Comprehensive Income/(Loss).

In 2018, the Company signed an operating lease for additional office and laboratory space in Boston, which it expects to occupy during the first half of 2019.

21. Financial Instruments

The Group's financial instruments consist of financial liabilities, including preferred shares, convertible notes, warrants and loans payable, as well as financial assets classified as assets held at fair value. As of 1 January 2018, the Company adopted IFRS 9, which replaced IAS 39. IFRS 9 addresses the classification, measurement and recognition of financial liabilities. The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. The reclassification and adjustment arising from the adoption of the new accounting policy has been recognised in the opening balance sheet as of 1 January 2018.

As part of the transition requirement, the Company had the option upon implementation of the new standard to designate a financial liability as measured at FVTPL. The Group re-assessed its financial liabilities and elected not to split out the embedded derivatives for certain instruments and retrospectively recorded changes in fair value of the entire financial liability instrument through the statement of profit and loss, leading to changes in the carrying value of the instruments, which when looked at in the aggregate were as follows:

			Cumulative	
	IAS 39 as of 31 December		Effect Adjustment to Accumulated	IFRS 9 as of 1 January
Financial liability	2017		Deficit1	2018

Notes Payable	7,455	6,435	13,890
Derivative Liability	114,263	(114,263)	-
Warrant Liability	13,095	-	13,095
Preferred Shares	120,051	95,584	215,635
	254,864	(12,244)	242,620

1. The adoption of IFRS 9 from IAS 39 has no impact on the valuation methods required to be used. The change in aggregate fair value is attributable to the elements within each instrument required or elected to be fair valued under the individual standards.

Financial Liabilities and Embedded Derivatives

The following table summarised the changes in the Group's financial liabilities and embedded derivatives measured at fair value using significant unobservable inputs (Level 3):

	Subsidiary Derivative Liability - Preferred Shares	Subsidiary Derivative Liability - Convertible		
	$000s	Notes $000s	Subsidiary Preferred Shares $000s	Subsidiary Convertible Notes $000s
Balance at 31 December 2016	70,192	1,048	-	-
Value of derivatives at issuance	364	2,245	-	-
Change in fair value	38,678	1,736	-	-
Balance at 31 December 2017	109,234	5,029	120,051	4,908
Adjustment for IFRS 9 implementation	(109,234)	(5,029)	95,584	6,435
Value at issuance	-	-	54,537	5,824
Conversion	-	-	7,930	(7,581)
Deconsolidation of preferred shares	-	-	(36,517)	-
Change in fair value	-	-	(24,066)	(128)
Balance at 31 December 2018	-	-	217,519	9,458

For financial instruments measured at fair value under IFRS 9 (effective 1 January 2018), the change in the value of the entire instrument is reflected through profit and loss. The techniques used to determine fair value of the preferred shares and convertible notes included the market approach, the discounted cash flow methodology and the backsolve method that is a form of the market approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The discounted cash flow methodology, which represents a Level 3 approach relies upon unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of certain assets or liabilities. The backsolve method is derived from the total equity that is implied by the current financing round in which the only truly observable value indicator is the financing round and everything else is implied by the current financing, the economic rights and the allocation inputs such as volatility and term for the option pricing-method.

During the year ended 31 December 2017, while the Group was accounting for financial instruments under IAS 39, there were embedded derivatives that were associated with the subsidiary convertible promissory notes, the subsidiary financial instruments measured at fair value and the conversion option within the subsidiary preferred shares. These instruments were accounted for as liabilities and were marked to fair value at each reporting period. The fair value of the embedded derivative liability and financial instruments measured at fair value at inception, 31 December 2017 was determined using a probability weighted present value technique, which includes unobservable ("Level 3") inputs supported by little or no market activity, such as time to the next qualified equity financing, implied discount rate, and probability of a qualified financing, or an option pricing allocation method. Based on existing business plans, the Group also contemplated future equity raises and the impact on the valuation of the embedded derivative liability if the stock value is below the exercise price at the estimated date of the projected future capital raise.

During the year ended 31 December 2017, at each measurement date, the fair value of the conversion rights embedded in the preferred shares was determined using a with and without framework which consisted of a three-step process.

First, the value of each business within the Group was determined using a discounted cash flow model or guideline transaction method, or through a recent arm's length financing round.

Second, the principal methods that the Group applies for the allocation of value are the Option Pricing Method ("OPM") and the Probability-Weighted Expected Return Method ("PWERM").

· The OPM treats common stock or derivatives as call options on the enterprise's value or overall equity value. The value of a security is based on the optionality over and above the value of securities that are senior in the capital structure (e.g. preferred stock), which takes into consideration the dilutive effects of subordinate securities. In the OPM, the exercise price is based on a comparison with the overall equity value rather than per-share value.

· The PWERM estimates the value of equity securities based on an analysis of various discrete future outcomes, such as an IPO, merger or sale, dissolution, or continued operation as a private or public enterprise until a later exit date. The equity value today is based on the probability-weighted present values of expected future investment returns, considering each of the possible outcomes available to the enterprise, as well as the rights of each security class.

Third, the fair value of conversion rights was calculated as the difference of value between the concluded values of preferred shares with and without the conversion rights.

Quantitative information about the significant unobservable inputs used in the fair value measurement of the Group's embedded derivative liability related to the subsidiary preferred shares designated as Level 3 is as follows:

Option Pricing Model Inputs for Embedded Derivative Liabilities under IAS 39 at 31 December 2017 and for Preferred Stock and Convertible Notes Liabilities under IFRS 9 at 31 December 2018

	Range of Values		
Measurement Date	Expiration Date	Volatility	Risk Free Rate
28/02/2014	3.5 years	60.00%	0.94%
31/03/2014	5.0 years	75.00%	1.73%
31/12/2014	2.0 - 5.0 years	60.00%	0.67% - 1.65%

30/06/2015	1.5 - 4.5 years	35.00% - 65.00%	0.48% - 1.53%
31/12/2015	1.5 - 4.0 years	35.00% - 60.00%	0.86% - 1.54%
31/12/2016	1.5 - 5.0 years	35.00% - 80.00%	1.03% - 1.93%
31/12/2017	1.0 - 3.5 years	50.00% - 80.00%	1.70% - 2.04%
31/12/2018	0.3 - 2.5 years	45.00% - 85.00%	2.47% - 2.60%

Probability Weighted Expected Return Method Inputs for Embedded Derivative Liabilities under IAS 39 at 31 December 2017 and for Preferred Stock and Convertible Notes Liabilities under IFRS 9 at 31 December 2018.

	Range of Values	
Measurement Date	Time to Anticipated Exit Event	Probability of IPO/M&A/ Dissolution Sale
31/03/2014	1.0 years	40.0%/45.0%/15.0%
31/12/2014	0.33 years	70.0%/25.0%/15.0%
30/06/2015	0.38 - 0.50 years	70.0%/30.0%/0.0%
31/12/2015	1.33 years	70.0%/30.0%/0.0%
31/12/2016	1.16 - 1.41 years	40.0%/60.0%/0.0%
31/12/2017	0.37 - 1.83 years	50.0%/50.0%/0.0%
31/12/2018	0.75 - 1.00 years	50.0%/50.0%/0.0%

Quantitative information about the significant unobservable inputs used in the fair value measurement of the Group's embedded derivative liability related to the convertible notes designated as Level 3 is as follows:

	Range of Values	
Significant Unobservable Inputs	At Issuance	2017
Time to next qualified equity financing	1.00 - 2.03 years	0.33 - 1.50 years
Implied discount rate	11.3% - 2,459.0%	10.8% - 44.9%
Probability of a qualified financing or change of control	0.0% - 100.0%	95.0% - 100.0%

Valuation policies and procedures are regularly monitored by the Company's finance group. Fair value measurements, including those categorised within Level 3, are prepared and reviewed on their issuance date and then on an annual basis and any third-party valuations are reviewed for reasonableness and compliance with the fair value measurements guidance under IFRS.

Financial Assets Held at Fair Value

resTORbio Valuation

As outlined in note 5, on 6 November 2018 PureTech lost significant influence over resTORbio as it no longer has the power to participate in the financial and operating policy decisions of the entity. Thus, PureTech's investment no longer qualifies for equity method accounting, under IAS 28, and is now subject to IFRS 9. In accordance with IFRS 9, the Company accounts for this investment as a financial asset at FVTPL from the date significant influence was lost, 6 November 2018. During the year ended 31 December 2018, the Company recorded its investment at fair value and recognised a loss in the Consolidated Statements of Comprehensive Income/(Loss) on the line item Gain/(loss) on investments held at fair value of $33.0 million due to a drop in traded share price. As of 6 November 2018, resTORbio was trading at $11.99 per share, which subsequently dropped to $8.62 as of 31 December 2018.

Akili Valuation

As outlined in note 5, in May 2018 PureTech lost control over Akili resulting in the subsidiary being deconsolidated. PureTech's investment in Akili was in the form of preferred shares and therefore qualified to be accounted for as a financial asset subject to IFRS 9. In accordance with IFRS 9, the Company accounts for this investment as a financial asset at FVTPL from the date control was lost. During the year ended 31 December 2018, the Company recorded its investment at fair value and recognised a gain of $12.7 million that was recorded to the Consolidated Statements of Comprehensive Income/(Loss) on the line item Gain/(loss) on investments held at fair value.

Option Pricing Model and Probability Weighted Expected Return Method Inputs for Investments Held at Fair Value at 31 December 2018

	Range of Values	
PWERM (IPO Scenario) Measurement Date	Time to Anticipated Exit Event	Probability of IPO
31/12/2018	0.50 years	50.0%

	Range of Values		
OPM (Long-term Exit Scenario) Measurement Date	Expiration Date	Volatility	Risk Free Rate
31/12/2018	1.25 years	75.0%	2.56%

Sensitivity Analysis

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's investment at fair value, Derivative liability and the value of preferred share liabilities, which do not qualify for bifurcation and are recorded at fair value (see note 5 and 15):

Asset Held at Fair Value

		resTORbio Preferred Shares Asset Increase/ (Decrease)	
		Akili Preferred Shares Asset Increase/ (Decrease)	
Input	Sensitivity Range		
		2018	2017
As of 31 December		$000s	$000s
Subsidiary Enterprise Value	-2%	(1,762)	(3,100)
	+2%	1,762	3,100
Volatility	-10%	282	(152)
	+10%	(174)	152
Time to Liquidity	-6 months	472	(243)
	+6 months	(221)	159
Risk-free Rate1	-0.07%/+0.29%	472	(243)
	-2.56%/+0.01%	(221)	159

Embedded Derivative Liability

		Embedded Derivative Liability Increase/ (Decrease)
Input	Sensitivity Range	
		2017
As of 31 December		$000s
Subsidiary Enterprise Value	-2%	(3,599)
	+2%	3,599
Volatility	-10%	(1,852)
	+10%	1,983
Time to Liquidity	-6 months	4,045
	+6 months	(3,941)
Risk-free Rate1	-0.05%/-0.23%	4,045
	+0.04%/+0.07%	(3,941)

1. Risk-free rate is a function of the time to liquidity input assumption.

Subsidiary Preferred Share Liability

		Subsidiary Preferred Shares Liability Increase/ (Decrease)
Input	Sensitivity Range	
		2018
As of 31 December		$000s
Subsidiary Enterprise Value	-2%	(3,695)
	+2%	3,695
Volatility	-10%	130
	+10%	(216)
Time to Liquidity	-6 months	13,697
	+6 months	(12,540)
Risk-free Rate1	-0.12%/+0.12%	13,697
	-2.49%/+-0.12%	(12,540)

1. Risk-free rate is a function of the time to liquidity input assumption.

The change in fair value of both subsidiary preferred share derivatives and change in fair value of preferred shares are recorded in Finance cost, net in the Consolidated Statements of Comprehensive Income/(Loss).

Warrants

Warrants issued by the Group are classified as liabilities, as they will be settled in a variable number of shares. The following table summarised the changes in the Group's subsidiary warrant liabilities measured at fair value using significant unobservable inputs (Level 3):

	Subsidiary Warrant Liability
	$000s
Balance at 31 December 2016	14,942
Value of derivatives at issuance	-
Change in fair value	(1,847)
Balance at 31 December 2017	13,095
Adjustment for IFRS 9 implementation	-
Change in fair value	(83)
Balance at 31 December 2018	13,012

The change in the fair value of the subsidiary warrants was recorded in finance costs, net in the Consolidated Statements of Comprehensive Income/(Loss). The $13.0 million warrant liability is primarily attributable to the Gelesis warrant, which carried a liability balance of $12.98 million. The remaining balance is attributable to Follica warrants.

The following weighted-average assumptions were used to determine the fair value of the Gelesis warrants at 31 December 2018:

Assumption/Input	Series A-1 Warrants	Series A-3 Warrants	Series A-4 Warrants
Expected term	2.3 years	3.5 years	4.6 years
Expected volatility	57.0%	68.0%	58.0%
Risk free interest rate	2.48%	2.47%	2.50%
Expected dividend yield	-	-	-
Estimated fair value of the convertible preferred stock	$14.02	$14.02	$14.02
Exercise price of warrants	$4.44	$0.04	$0.04

The following weighted-average assumption were used to determine the fair value of the Gelesis warrants at 31 December 2017:

Assumption/Input	Series A-1 Warrants	Series A-3 Warrants	Series A-4 Warrants
Expected term	3.3 years	4.5 years	5.6 years
Expected volatility	91.0%	80.0%	77.0%
Risk free interest rate	2.01%	2.15%	2.23%
Expected dividend yield	-	-	-
Estimated fair value of the convertible preferred stock	$13.80	$13.80	$13.80
Exercise price of warrants	$4.44	$0.04	$0.04

The fair value of these warrant liabilities may differ significantly in the future from the carrying value as of 31 December 2018 and 2017, and, accordingly, adjustments will be recorded in the Condensed Consolidated Statements of Comprehensive Income/(Loss) at that time.

In connection with various amendments to its 2010 Loan and Security Agreement, Follica issued preferred share warrants at various dates in 2013 and 2014. Each of the warrants has an exercise price of $0.1425 and a contractual term of 10 years from the date of issuance. The warrants issued in 2013 and 2014 were deemed to have no value at the time of their issuance. In 2017, in conjunction with the issuance of convertible notes, the exercise price of the warrants was adjusted to $0.07 per share. The warrant liability has been marked-to-market at each subsequent reporting date and at 31 December 2018 and 2017 the warrants were deemed to have a value deemed to be immaterial and $0.2 million, respectively.

Follica issued a warrant in 2015 for 19,688 shares of common stock at an exercise price of $0.75 per share. The warrant is classified within equity and expires on 14 December 2020.

The following weighted average assumptions were used to determine the fair value of Follica's warrants at 31 December:

Assumption/Input	2018	2017
Expected term	4.56 - 5.80	5.56 - 6.80
Expected volatility	39.48% - 42.30%	44.12% - 45.72%

Risk free interest rate	2.49% - 2.54%	2.14% - 2.20%
Expected dividend yield	-	-
Estimated fair value of the convertible preferred stock	$0.04	$0.13
Exercise price of warrants	$0.07	$0.07

Fair Value Measurement

The fair value of financial instruments by category at 31 December:

	2018					
	Carrying Amount		Fair Value			
	Financial Assets	Financial Liabilities				
	$000s	$000s	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Financial assets:						
US treasuries	133,828	-	133,828	-	-	133,828
Certificates of deposit	2,199	-	-	2,199	-	2,199
Other deposits	100	-	-	100	-	100
Investments held at fair value	169,755	-	84,479	-	85,276	169,755
Loans and receivables:						
Trade and other receivables	1,328	-	-	1,328	-	1,328
Total financial assets	307,210	-	218,307	3,627	85,276	307,210
Financial liabilities:						
Subsidiary warrant liability	-	13,012	-	-	13,012	13,012
Subsidiary preferred shares	-	217,519	-	-	217,519	217,519
Subsidiary notes payable	-	12,010	-	12,010	-	12,010
Total financial liabilities	-	242,541	-	12,010	230,531	242,541

	2017					
	Carrying amount		Fair Value			
	Financial Assets	Financial Liabilities				
	$000s	$000s	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Financial assets:						
US treasuries	116,098	-	116,098	-	-	116,098
Certificates of deposit	927	-	-	927	-	927
Other deposits	73	-	-	73	-	73
Loans and receivables:						
Trade and other receivables	1,797	-	-	1,797	-	1,797
Total financial assets	118,895	-	116,098	2,797	-	118,895
Financial liabilities:						
Subsidiary warrant liability	-	13,095	-	-	13,095	13,095
Subsidiary derivative liability	-	114,263	-	-	114,263	114,263
Subsidiary financial instruments measured at fair value	-	2,071	-	-	2,071	2,071
Financial liabilities measured at amortised cost:						
Subsidiary preferred shares	-	117,980	-	-	117,980	117,980
Subsidiary notes payable	-	7,455	-	7,455	-	7,455
Total financial liabilities	-	254,864	-	7,455	247,409	254,864

22. Capital and Financial Risk Management

The Company's financial strategy policy is to support its strategic priorities, maintain investor and creditor confidence and sustain future development of the business through an appropriate mix of debt and equity. Management monitors the level of capital deployed and available for deployment in subsidiary companies. The Directors seek to maintain a balance between the higher returns that might be possible with higher levels of deployed capital and the advantages and security afforded by a sound capital position.

The Group's Directors have overall responsibility for establishment and oversight of its risk management framework. The Group is exposed to certain risks through its normal course of operations. The Group's main objective in using financial instruments is to promote the development and commercialisation of intellectual property through the raising and investing of funds for this purpose. The Group's policies in calculating the nature, amount and timing of investments are determined by planned future investment activity. Due to the nature of activities and with the aim to maintain the investors' funds as secure and protected, the Group's policy is to hold any excess funds in highly liquid and readily available financial instruments and maintain insignificant exposure to other financial risks.

The Group has exposure to the following risks arising from financial instruments: Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents and trade and other receivables. The Group held the following balances:

As of 31 December	2018	2017
	$000s	$000s
Cash and cash equivalents	117,051	72,649
Short-term investments	133,828	116,098
Investments held at fair value	169,755	131,351
Trade and other receivables	1,328	1,797
Total	421,962	321,895

The Group invests its excess cash in US Treasury Bills, US debt obligations and money market accounts, which the Group believes are of high credit quality.

The Group has investments held at fair value consisting of interests in Deconsolidated Affiliates.

The Group assesses the credit quality of customers, taking into account its financial position, past experience and other factors. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to credit ratings (if available) or to historical information about counterparty default rates.

The ageing of trade and other receivables that were not impaired at 31 December is as follows:

As of 31 December	2018	2017
	$000s	$000s
Neither past due or impaired	1,328	1,797
Total	1,328	1,797

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group actively manages its risk of a funds shortage by closely monitoring the maturity of its financial assets and liabilities and projected cash flows from operations, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Due to the nature of these financial liabilities, the funds are available on demand to provide optimal financial flexibility.

The table below summarises the maturity profile of the Group's financial liabilities, including subsidiary preferred shares that have customary liquidation preferences, as of 31 December 2018 and 2017 based on contractual undiscounted payments:

	2018				
	Carrying Amount	Within Three Months	Three to Twelve Months	One to Five Years	
As of 31 December	$000s	$000s	$000s	$000s	Total $000s
Subsidiary notes payable	12,010	12,010	-	-	12,010
Trade and other payables	15,875	15,875	-	-	15,875
Warrants	13,012	13,012	-	-	13,012
Subsidiary preferred shares (note 15)	217,519	217,519	-	-	217,519
Total	258,416	258,416	-	-	258,416

	2017				
	Carrying Amount	Within Three Months	Three to Twelve Months	One to Five Years	
As of 31 December	$000s	$000s	$000s	$000s	Total $000s
Subsidiary notes payable	7,455	7,455	-	-	7,455
Trade and other payables	16,358	16,358	-	-	16,358

Warrants	13,095	13,095	-	-	13,095
Subsidiary preferred shares (note 15)	120,051	120,051	-	-	120,051
Other liabilities	988	988	-	-	988
Total	157,947	157,947	-	-	157,947

In addition to the above financial liabilities, the Group is required to spend the following minimum amounts under intellectual property license agreements:

	2018	2019	2020	2021
	$000s	$000s	$000s	$000s
Licenses	143	250	270	240
Total	143	250	270	240

Market Risk

Market risk is due to changes in market prices, such as foreign exchange rates, interest rates and equity prices that affect the Group's income or the value of its financial instruments holdings. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters, while optimising its return. The Group maintains the exposure to market risk from such financial instruments to insignificant levels. The Group's exposure to changes in interest rates has been determined to be insignificant.

Foreign Exchange Risk

The Group's grant revenues and the research and development costs associated with those grants are generated and incurred in Euros. The Group's results of operations and cash flows will be subject to fluctuations due to change in foreign currency exchange rates. Foreign currency transaction exposure arising from external trade flows is generally not hedged.

Capital Risk Management

The Group is funded by equity and debt financing. Total capital is calculated as Total Equity as shown in the Consolidated Statements of Financial Position.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may issue new shares or borrow new debt. The Group has some external debt and no material externally imposed capital requirements. The Group's share capital is clearly set out in note 15.

As discussed in note 15, certain of the Group's subsidiaries have issued preferred shares that include the right to receive a payment in the event of any voluntary or involuntary liquidation, dissolution or winding up of a subsidiary, which shall be paid out of the assets of the subsidiary available for distribution to shareholders and before any payment shall be made to holders of ordinary shares.

23. Commitments and Contingencies

Gelesis is a party to a patent license and assignment agreement whereby it will be required to pay approximately $8.0 million upon the achievement of certain milestones, pay royalties on future sales and/or a percentage of sublicense income. Gelesis accrued $6.6 million as potential expenses under the patent license and assignment agreement for the years ended 31 December 2018 and 2017.

Gelesis has also been awarded grants from two government agencies, which are recognised as revenue as the qualifying expenses are incurred. The grant agreement contains certain provisions, including, inter alia, maintaining a physical presence in the region for defined periods. Failure to comply with these covenants would require either a full or partial refund of the grant to the granting authority.

Vedanta Biosciences is party to a collaboration agreement which grants Janssen Biotech, Inc. ("JBI"), a subsidiary of Johnson & Johnson, the exclusive right and license to make, use, sell, import and otherwise develop or commercialise any licensed product during the term of the agreement. Vedanta Biosciences is party to a license agreement with the University of Tokyo whereby it agreed to pay 10 per cent of the license fee income generated by the JBI Agreement to the University of Tokyo. During 2018, there were no milestone payments made to Vedanta Biosciences related to the JBI and as a result, there were also no further payments to University of Tokyo. In 2017, Vedanta Biosciences was granted patents which triggered milestone payments totalling $4.0 million from JBI and resulted in $0.4 million in payments to the University of Tokyo.

Other members of the Group are also parties to certain licensing agreements that require milestone payments and/or royalties on future sales. None of these payments have become due and the amounts of any future milestone or royalty payments cannot be reliably measured as of the date of the financial information.

24. Related Parties Transactions

Key Management Personnel Compensation

Key management includes executive directors and members of the executive management team of the Group. The key management personnel compensation of the Group was as follows for the years ended 31 December:

As of 31 December	2018	2017
	$000s	$000s
Short-term employee benefits	3,998	3,514
Share-based payments	3,062	2,402
Total	7,060	5,916

Wages and employee benefits include salaries, health care and other non-cash benefits. Share-based payments are generally subject to vesting terms over future periods.

Convertible Notes Issued to Directors

Certain members of the Group have invested in convertible notes issued by the Group's subsidiaries. As of 31 December 2018 and 2017, the outstanding related party notes payable totalled $ 74,000 and $69,000, respectively. Interest expense charged on the related party notes was $ 5,000 for the years ended 31 December 2018 and 2017.

The notes issued to related parties bear interest rates, maturity dates, discounts and other contractual terms that are the same as those issued to outside investors during the same issuances, as described in note 17.

Directors' and Senior Managers' Shareholdings and Share Incentive Awards

The Directors and senior managers hold beneficial interests in shares in the following businesses and sourcing companies as at 31 December 2018:

		Number of Shares Held as of 31 December 2018	Number of Options Held as of 31 December 2018	
Directors	Business Name (Share Class)			Ownership Interest1
Mr Joichi Ito	Akili (Series A-2 Preferred)	26,627	-	0.10%
Ms. Daphne Zohar2	Gelesis (Common)	59,443	765,915	5.40%
Dame Marjorie Scardino	-	-	-	-
Dr Bennett Shapiro	Akili (Series A-2 Preferred)3	33,088	-	0.20%
	Gelesis (Common)	24,010	10,841	0.20%
	Gelesis (Series A-1 Preferred)	23,419	-	0.20%
	Tal (Series A-2 Preferred)3	14,451	-	0.10%
	Vedanta Biosciences (Common)	-	25,000	0.40%
	Vedanta Biosciences (Series B Preferred)	11,202	-	0.20%
Dr Robert Langer	Entrega (Common)	-	302,500	6.20%
	Alivio (Common)	-	1,575,000	6.50%
Dr Raju Kucherlapati	Enlight (Class B Common)	30,000	-	3.00%
Dr John LaMattina4	Akili (Series A-2 Preferred)	37,372	-	0.20%
	Gelesis (Common)4	54,120	63,050	0.80%
	Gelesis (Series A-1 Preferred)4	49,524	-	0.30%
	Tal (Series A-2 Preferred)	114,411	-	1.10%
	Vedanta Biosciences (Common)	-	25,000	0.40%
Mr Christopher Viehbacher	-	-	-	-
Mr Stephen Muniz	-	-	-	-
Senior Managers:				
Dr Eric Elenko	-	-	-	-
Dr Joep Muijrers	-	-	-	-
Dr Bharatt Chowrira	-	-	-	-
Dr Joseph Bolen	Vor (Common)	-	125,000	0.50%

Notes:

1. Ownership interests as of 31 December 2018 are calculated on a diluted basis, including issued and outstanding shares, warrants and options (and written commitments to issue options) but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares of stock issuable upon conversion of outstanding convertible promissory notes.

2. Common stock and options held by Yishai Zohar, who is the husband of Ms. Zohar. Ms. Zohar does not have any direct interest in the share capital of Gelesis. Ms Zohar recuses herself from any and all material decisions with regard to Gelesis.

3. Shares held through Dr Bennett Shapiro and Ms Fredericka F. Shapiro, Joint Tenants with Right of Survivorship.

4. Dr John and Ms Mary LaMattina hold 49,523 shares of common stock and 49,524 shares of Series A-1 preferred stock in Gelesis. Individually, Dr LaMattina holds 12,642 shares of Gelesis and convertible notes issued by Appeering in the aggregate principal amount of $50,000.

Directors and senior managers hold 30,822,168 ordinary shares and 10.9 per cent voting rights of the Company as of 31 December 2018. This amount excludes options to purchase ordinary shares and RSU awards held by the senior managers. This amount also excludes 925,706 shares, which are issuable pursuant to the RSU awards granted to certain senior managers covering the financial years 2018, 2017 and 2016. Such shares will be issued to such senior managers in 2019 provided that certain of the shares will be withheld for payment of customary withholding taxes.

25. Taxation

Amounts recognised in Consolidated Statements of Comprehensive Income/(Loss):

As of 31 December	2018	2017
	$000s	$000s
Loss for the year	(70,659)	(75,094)
Income tax expense/(benefit)	2,221	4,383
Loss before taxes	(68,438)	(70,711)

Recognised income tax expense/(benefit):

As of 31 December	2018	2017
	$000s	$000s
Federal	2	(123)
Foreign	-	358
State	496	(109)
Total current income tax expense/(benefit)	498	126
Federal	2,034	4,255
Foreign	-	2
State	(311)	-
Total deferred income tax expense/(benefit)	1,723	4,257
Total income tax expense/(benefit), recognised	2,221	4,383

The tax expense of $2.2 million and $4.4 million in 2018 and 2017, respectively, is primarily the result of the establishment of a deferred tax liability for unrealised gains pertaining to our investments in both resTORbio and Akili for which we would not have sufficient US Federal tax attributes to fully offset the liability.

Reconciliation of Effective Tax Rate

The Group is primarily subject to taxation in the US; therefore, the reconciliation of the effective tax rate has been prepared using the US statutory tax rate. A reconciliation of the US statutory rate to the effective tax rate is as follows:

As of 31 December	2018	2017
	%	%
Weighted-average statutory rate	21.00	34.00
Effects of state tax rate in US	4.77	(0.53)
Credits	4.78	3.41
Share-based payment measurement	(5.01)	(3.58)
Mark-to-market adjustments	5.47	(19.27)
Accretion on preferred shares	(0.03)	(4.57)
Deconsolidation adjustments	(14.16)	20.36
Mark-to-market investment in subsidiary	0.08	(34.04)
Federal tax change	0.00	(20.85)
Tax reform - foreign earnings repatriation	0.00	(1.27)
Income of partnerships not subject to tax	0.11	0.03
Current year losses for which no deferred tax asset is recognised	(19.01)	19.46
Other	(1.25)	0.65
	(3.25)	(6.20)

The Group is also subject to taxation in the UK and exposed to state taxation in certain jurisdictions within the US. Changes in corporate tax rates can change both the current tax expense (benefit) as well as the deferred tax expense (benefit). US corporations are routinely subject to audit by federal and state tax authorities in the normal course of business. During 2017 the IRS completed an audit of Gelesis for the financial year ended 31 December 2012 with no impact to the Group's financial condition, results of operations or cash flows. Additionally, during 2018 the IRS completed an audit of Vedanta for the financial year ended 31 December 2016 with no impact to the Group's financial condition, results of operations or cash flows.

Deferred Tax Assets

Deferred tax assets have been recognised for the foreign amounts in respect of the following items:

As of 31 December	2018	2017
	$000s	$000s
Operating tax losses	69,170	55,352
Research credits	8,056	5,692
Investment in subsidiaries	589	637
Share-based payments	13,003	7,088
Other	2,184	1,736
Deferred tax assets	93,002	70,505

Other temporary differences	(33,412)	(31,038)
Deferred tax liabilities	(33,412)	(31,038)
Deferred tax liabilities, net, recognised	6,428	4,397
Deferred tax assets, net, recognised	(449)	(142)
Deferred tax assets, net, not recognised	65,569	43,722

The Other Temporary Differences disclosed above principally relate to the Company's unrealized gains pertaining to our investments in both resTORbio and Akili at 31 December 2018 of $31.8 million and in resTORbio at 31 December 2017 of $30.2 million, respectively. We have recognised deferred tax assets in the US to the extent these deferred tax assets could be recognised to offset the unrealized gain. Our remaining deferred tax assets have not been recognised for the US amounts other than a refundable alternative minimum tax ("AMT") credit because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

There was movement in deferred tax recognised in income or equity of approximately $1.7 million primarily related to the unrealized gains pertaining to our investments in both resTORbio and Akili for which we would not have sufficient Federal tax attributes to fully offset the liability.

As of 31 December 2018, the Company had US federal net operating losses carry forwards ("NOLs") of approximately $238.1 million and $203.1 million for the years ended 31 December 2018 and 2017, respectively, which was available to offset future taxable income. These NOLs expire through 2037 with the exception of $72.1 million which is not subject to expiration. These NOLs are subject to review and possible adjustment by the Internal Revenue Service. The Company had US Federal research and development tax credits of approximately $46.7 million and $4.4 million for the years ended 31 December 2018 and 2017, respectively, which is available to offset future taxes that expire through 2038.

Utilisation of the NOLs and research and development credit carryforwards may be subject to a substantial annual limitation under Section 382 of the Internal Revenue Code of 1986 due to ownership change limitations that have occurred previously or that could occur in the future. These ownership changes may limit the amount of NOL and research and development credit carryforwards that can be utilised annually to offset future taxable income and tax, respectively. The Company has not yet completed an evaluation of ownership changes through 31 December 2018. To the extent an ownership change occurs in the future, the NOL and credit carryforwards may be subject to further limitations.

The Group considers earnings generated from its foreign subsidiary in Italy to be permanently re-invested; therefore, foreign withholding taxes have not been provided on undistributed earnings.

Uncertain Tax Positions

The changes to uncertain tax positions from 1 January 2017 through 31 December 2018 are as follows:

	US	Foreign	Total
	$000s	$000s	$000s
Gross tax liabilities as of 1 January 2017	78	28	106
Additions based on tax provisions related to the current year	-	-	-
Additions to tax positions of prior years	-	-	-
Reductions due to settlements with tax authorities	-	-	-
Reductions for positions of prior years	(78)	(13)	(91)
Gross tax liabilities as of 31 December 2017	-	15	15
Additions based on tax provisions related to the current year	-	-	-
Additions to tax positions of prior years	-	-	-
Reductions due to settlements with tax authorities	-	-	-
Reductions for positions of prior years	-	(12)	(12)
Gross tax liabilities as of 31 December 2018	-	3	3

The balance of unrecognised tax benefits that, if recognised, would affect the annual effective income tax rate is not material.

The balance of unrecognised tax benefits that, if recognised, would affect the annual effective income tax rate is not material. On 22 December 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted. Effective 1 January 2018, the legislation significantly changed US tax law by lowering the federal corporate tax rate from 35.0 per cent to 21.0 per cent, modifying the foreign earnings deferral provisions, and imposing a one-time toll charge on deemed repatriated earnings of foreign subsidiaries as of 31 December 2017. Effective for 2018 and forward, there are additional changes including changes to bonus depreciation, the deduction for executive compensation and interest expense. As of 31 December 2017, two provisions affecting the financial statements are the corporate tax rate reduction and the one-time toll charge. As the corporate tax rate reduction was enacted in 2017 and effective 1 January 2018, the Company appropriately accounted for the tax rate change in the valuation of its deferred taxes in 2017. The impact of this change was to reduce deferred tax assets and liabilities by $14.6 million.

26. Sale of assets

In February 2018, The Sync Project, Inc. ("Sync") entered into an asset purchase agreement with Bose Corporation for the sale of certain assets and liabilities. The total aggregate purchase price was $4.5 million, consisting of approximately $4.0 million paid at closing and $0.5 million in cash deposited into escrow to be held for 12 months in order to secure the indemnification obligations of Sync after the closing date.

PureTech Health derecognised certain assets and liabilities based on their historical costs. The excess of the consideration transferred over the historical costs of the assets and liabilities resulted in a gain of approximately $4.0 million, which was recorded to the line item "Gain on sale of assets" on the accompanying Consolidated Statements Comprehensive Income/ (Loss) for the year ended 31 December 2018.

Additionally, as part of the derecognition, the Company and certain preferred shareholders received a cash distribution of approximately $3.3 million.

27. Tal Merger Agreement

During the year ended 31 December 2018, Tal Medical, Inc. ("Tal") a subsidiary of the Group entered into an option agreement with a third party, through which the third party was given the option to acquire substantially all of Tal's assets. The option was contingent on the third party raising gross proceeds of $15 million prior to 1 January 2019 (the option expiration date). Upon the expiration of the option all external investors, not including PureTech, would be entitled to a distribution equal to the cash on hand on the date of expiration, and Tal's operations would wind down. As of 31 December 2018, the minimum gross proceeds were not raised, resulting in the option expiring. As a result, the preferred shares were adjusted to the cash distribution the external investors were entitled to, which totalled $0.1 million, resulting in gain of $11 million being recognised in Finance costs - subsidiary preferred shares line of the Consolidated Statements of Comprehensive Income/(Loss). Tal remained in a legal capacity under the operations of PureTech. A form of merger will be executed between PureTech and Tal in 2019 so that PureTech becomes the sole shareholder of Tal once all assets are liquidated.

28. Subsequent Events

The Company has evaluated subsequent events after 31 December 2018, the date of issuance of the Consolidated Financial Statements, and has not identified any recordable or disclosable events, not otherwise reported in these consolidated financial statements or notes thereto, except for the following:

On 16 April 2019, PureTech Health entered into a partnership with Boehringer Ingelheim to advance immuno-oncology product candidates using PureTech's lymphatic targeting platform. Under terms of the agreement, PureTech Health will receive up to $26.0 million, including upfront payments, research support, and preclinical milestones, and is eligible to receive more than $200.0 million in development and sales milestones, in addition to royalties on product sales.

On 9 April 2019, Sonde Health, an affiliate of PureTech, completed a $16.0 million Series A round, including the issuance of $6.0 million in shares upon conversion of debt into equity. Proceeds will be used to expand its capability across additional health conditions and device types and to fund commercialisation activities.

On 1 April 2019, Karuna Therapeutics announced the expansion of its Series B financing, raising $12.0 million in additional funding. On 8 April 2019, Karuna further expanded its Series B financing, issuing $2.0 million in shares upon conversion of debt into equity.

On 15 March 2019, Karuna Therapeutics, Inc. ("Karuna," formerly Karuna Pharmaceuticals), has completed a $68.0 million Series B financing round, including the issuance of $5.0 million in shares upon conversion of debt into equity. Additionally, Heather Preston, M.D., managing director of Pivotal bioVenture Partners, has joined the board of directors of Karuna.

On 12, February 2019, Vor Biopharma announced a $42.0 million Series A financing round. On 28 January 2019, Alivio Therapeutics, Inc. ("Alivio"), an affiliate of PureTech Health and Purdue Pharma LP ("Purdue") entered into a partnership to advance Alivio's product candidate ALV-107 through clinical development. Under the terms of the agreement, Alivio will receive up to $14.8 million in upfront and near-term license exercise payments and is eligible to receive royalties on product sales and over $260.0 million in research and development milestones. Purdue also has an option to collaborate on a limited number of additional compounds utilising Alivio's inflammation-targeting technology, as well as an option to invest in Alivio's next equity financing.

PureTech Health plc Statement of Financial Position

For the years ended 31 December

	Note	2018	2017
		$000s	$000s
Assets			
Non-current assets			
Investment in subsidiary	2	141,348	141,348
Total non-current assets		141,348	141,348
Current assets			
Related party receivables	3	286,886	189,393
Total current assets		286,886	189,393
Total assets		428,234	330,741
Equity and liabilities			
Equity			
Share capital	4	5,375	4,679
Share premium	4	278,385	181,588
Merger reserve	4	138,506	138,506
Other reserve	4	911	855
Accumulated deficit	4	(5,227)	(4,483)
Total equity		418,030	321,145
Current liabilities			
Trade and other payables		-	715
Related party payables	5	10,204	8,881
Total current liabilities		10,204	9,596
Total equity and liabilities		428,234	330,741

The accompanying notes are an integral part of these financial statements.

PureTech Health plc Statements of Changes in Equity

For the years ended 31 December

	Shares	Amount $000s	Share Premium $000s	Merger Reserve $000s	Other Reserve $000s	Accumulated deficit $000s	Total equity $000s
Balance 1 January 2017	237,387,951	4,609	181,658	138,506	855	(3,664)	321,964
Total comprehensive loss for the period							

Exercise of share-based awards	41,745	70	(70)	-	-	-	-
Net loss	-	-	-	-	-	(819)	(819)
Balance 31 December 2017	237,429,696	4,679	181,588	138,506	855	(4,483)	321,145
Total comprehensive loss for the period							
Issuance of placing shares	45,000,000	696	96,797	-	-	-	97,493
Offering costs	-	-	-	-	-	(121)	(121)
Exercise of share-based awards	64,171	-	-	-	136	-	136
Net loss	-	-	-	-	-	(623)	(623)
Balance 31 December 2018	282,493,867	5,375	278,385	138,506	991	(5,227)	418,030

The accompanying notes are an integral part of these financial statements.

PureTech Health plc Statements of Cash Flows

For the years ended 31 December

	2018	2017
	$000s	$000s
Cash flows from operating activities		
Net loss	(623)	(819)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Non-cash items:		
Equity settled share-based payment expense	136	-
Changes in operating assets and liabilities:		
Related party receivable	(97,493)	(87)
Related party payable	1,323	776
Accounts payable and accrued expenses	(715)	130
Net cash used in operating activities	(97,372)	-
Cash flows from investing activities:		
Net cash provided by (used in) investing activities	-	-
Cash flows from financing activities:		
Issuance of placing shares	97,493	-
Offering costs	(121)	-
Net cash provided by (used in) financing activities	97,372	-
Effect of exchange rates on cash and cash equivalents	-	-
Net decrease in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-
Supplemental disclosure of non-cash investment and financing activities:		
Vesting of incentive awards	70	70

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

Basis of Preparation and Measurement

The financial statements of PureTech Health plc (the "Parent") have been prepared under the historical cost convention, in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRSs"). A summary of the significant accounting policies that have been applied consistently throughout the year are set out below.

Functional and Presentation Currency

The functional currency of the Parent is United States ("US") Dollars and the financial statements are presented in US Dollars.

Investments

Investments are stated at historic cost less any provision for impairment in value and are held for long-term investment purposes. Provisions are based upon an assessment of events or changes in circumstances that indicate that an impairment has occurred such as the performance and/or prospects (including the financial prospects) of the investee company being significantly below the expectations on which the investment was based, a significant adverse change in the markets in which the investee company operates or a deterioration in general market conditions.

Impairment

If there is an indication that an asset might be impaired, the Parent would perform an impairment review. An asset is impaired if the recoverable amount, being the higherof net realisable value and value in use, is less than its carrying amount. Value in use is measured based on future discounted cash flows attributable to the asset. In such cases, the carrying value of the asset is reduced to recoverable amount with a corresponding charge recognised in the profit and loss account.

Financial Instruments

Currently the Parent does not enter into derivative financial instruments. Financial assets and financial liabilities are recognised and cease to be recognised on the basis of when the related titles pass to or from the Parent Company.

2. Investment in subsidiary

	$000s
Balance at 8 May 2015	-
Additions	141,348
Balance at 31 December 2018 and 2017	141,348

PureTech consists of the Parent and its subsidiaries (together, the "Group"). Investment in subsidiary represents the Parent's investment in PureTech LLC as a result of the reverse acquisition of the Group's financial statements immediately prior to the Parent's initial public offering ("IPO") on the London Stock Exchange in June 2015. PureTech LLC operates in the US as a US-focused scientifically driven research and development company that conceptualises, sources, validates and commercialises unexpected and potentially disruptive approaches to advance the needs of human health. For a summary of the Parent's indirect subsidiaries see note 1 of the Consolidated Financial Statements of PureTech Health plc.

3. Related party receivables

The Parent has an accounts receivable balance from its operating subsidiary PureTech LLC of $286.9 million due to cash received from the IPO.

4. Share capital and reserves

PureTech plc was incorporated with the Companies House under the Companies Act 2006 as a public company on 8 May 2015.

On 12 March 2018, the Company raised approximately $100.0 million, before issuance costs and other expenses, by way of a Placing of 45,000,000 placing shares.

On 24 June 2015, the Company authorised 227,248,008 of ordinary share capital at one pence apiece. These ordinary shares were admitted to the premium listing segment of the United Kingdom's Listing Authority and traded on the Main Market of the London Stock Exchange for listed securities. In conjunction with the authorisation of the ordinary shares, the Parent completed an IPO on the London Stock Exchange, in which it issued 67,599,621 ordinary shares at a public offering price of 160 pence per ordinary share, in consideration for$159.3 million, net of issuance costs of $11.8 million.

Additionally, the IPO included an over-allotment option equivalent to 15 per cent of the total number of new ordinary shares. The stabilisation manager provided notice to exercise in full its over-allotment option on 2 July 2015. As a result, the Parent issued 10,139,943 ordinary shares at the offer price of 160 pence per ordinary share, which resulted in net proceeds of $24.2 million, net of issuance costs of $0.8 million.

5. Trade and other payables

The Parent had a balance from its operating subsidiary PureTech LLC as of 31 December 2017 of $0.7 million related to IPO costs.

6. Related party payables

The Parent has a balance due to its operating subsidiary PureTech LLC of $8.9 million, which is related to IPO costs and operating expenses. However, there is no intention of its settlement in the foreseeable future.

7. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Parent's profit and loss account has not been included in these financial statements. The Parent's loss for the year was $0.8 million.

8. Directors' remuneration, employee information and share-based payments

The remuneration of the Directors of the Parent Company is disclosed in note 24, Related Parties Transactions, on pages 127 through 128 of the accompanying Consolidated Financial Statements. Full details for their remuneration can be found in the Directors' Remuneration Report on pages 66 to 78. Full detail of the share-based payment charge and the related disclosures can be found in note 7, Share-based Payments, on pages 111 and 113 of the accompanying Consolidated Financial Statements.

The Parent had no employees during 2018 or 2017.