

Oxford Gene Technology (Operations) Limited
Registered number: 03845432

Annual Report and Financial Statements

Oxford Gene Technology (Operations) Limited

For the eighteen month period ended 31 March 2018



Oxford Gene Technology (Operations) Limited

Company Information

| | |
|----------------------------|---|
| Directors | Dr J Anson Dr M Evans T R Hall Dr D Owen D Oxlade K Tsujimoto |
| Company secretary | A J Lenhardt |
| Registered number | 03845432 |
| Registered office | Begbroke Science Park Begbroke Hill Woodstock Road Begbroke Oxfordshire OX5 1PF |
| Independent auditor | Deloitte LLP Abbots House Abbey Street Reading RG1 3BD |
| Bankers | Silicon Valley Bank Alphabeta 14-18 Finsbury Square London EC2A 1BR MUFG Bank, Ltd Ropemaker Place 25 Ropemaker Street EC2Y 9AN |
| Solicitors | Penningtons Manches LLP 9400 Garsington Road Oxford Business Park Oxford OX4 2HN |

Oxford Gene Technology (Operations) Limited

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Oxford Gene Technology (Operations) Limited

Strategic report

Introduction

Oxford Gene Technology (Operations) Limited (“OGT Ops” or “the Company”) is a wholly owned subsidiary of Oxford Gene Technology IP Limited (“OGT”) which is the holding company for a group of molecular genetics companies operating in both the research and diagnostic markets. In June 2017 OGT was acquired by Sysmex Corporation (“Sysmex”), a Japanese multinational company that develops, manufactures and sells diagnostic instruments, reagents and related software.

OGT Ops develops, assembles and markets a number of products for the molecular genetics market. The Company’s two main brands are:

CytoSure™ – A broad range of microarray products for cytogenetics, rare disease, cancer and reproductive health research; and

SureSeq™ – A range of next generation sequencing (NGS) panels and library preparation products for the accurate detection of genetic variants.

Review of the business

The year-end of OGT and that of its subsidiaries has been changed to 31 March to bring it in line with that of Sysmex and as such this reporting period has been extended to eighteen months. The growth rates in the review below have been adjusted to take account of the difference in length of the two reporting periods.

During the period the Company’s revenues increased by 23%¹ to £17.0 million (2016: £9.2 million) driven by strong increases in sales of the Company’s main products.

Sales of CytoSure™ grew by 38%¹ to £16.3 million (2016: £7.9 million) with strong sales growth in all regions but particularly continental Europe.

Sales of SureSeq™ grew by 183%¹ to £302,000 (2016: £71,000).

In contrast to the strong growth in sales of products, revenues from services fell by 81%¹ to £347,000 (2016: £1,196,000) following the completion of a major software development contract. Royalty and licence fee income also fell, by 92%¹ to £6,000 (2016: £52,000) as the 2016 figure was inflated by a one-off licence fee.

The devaluation of sterling following the Brexit referendum had a positive impact on the profit earned on foreign currency sales increasing the gross margin to 36.7% (2016: 35.4%), which together with the growth in sales resulted in a 27%¹ increase in gross profit to £6,216,000 (2016: £3,255,000).

Expenditure on research and development fell by 10%¹ on an annualised basis to £3,693,000 (2016: £2,741,000) following the decision on commercial grounds to stop further development of the Company’s non-invasive pre-natal test for Down’s syndrome. During the period research and development was primarily focussed on expanding and improving the Company’s range of NGS panels and library preparation kits, and related software.

The increase in gross profit along with tight control of administrative expenses had a positive impact on the operating profit that increased by £732,000 to £121,000 (2016: loss £611,000).

The Company closed the period with £1,549,000 in cash (30 September 2016: £924,000) and continues to be funded through inter-company loans with the net amount owed to group undertakings increasing by £1.5 million during the period to £36.8 million (30 September 2016: £35.3 million). The Company is expected to record an operating profit in the next financial year and thus reduce its dependence on funding from group undertakings.

Key performance indicators

The Company’s financial performance is measured by the following key performance indicators (KPIs):

- Turnover; and
- Operating profit

¹ Annualised growth rate

Oxford Gene Technology (Operations) Limited

Strategic report

These KPIs are shown in the table below:

| | <u>18 month period ended 31 Mar 2018</u> | <u>Year ended 30 Sep 2016</u> | <u>Change</u> | <u>Annualised change</u> |
|---------------------------|--|-----------------------------------|---------------|------------------------------|
| Turnover | £16,959,000 | £9,200,000 | +84% | +23% |
| Operating profit / (loss) | £121,000 | £(611,000) | n/a | n/a |

The increase in profitability was mainly due to the increase in gross margin, a 7%¹ reduction in administrative expenses and an increase in “above the line” R&D tax credits.

Principal risks and uncertainties

Like all businesses the Company is exposed to a variety of risks and uncertainties from its activities. Below are those principal risks and uncertainties that the Board considers could have a material impact on the Company’s operational results, financial condition and prospects.

Non-financial risks

Pricing and competition risk

The introduction into the market of superior or significantly cheaper competing products would have a detrimental impact on the Company’s revenues and operating profits. In order to mitigate these risks the Company invests significantly in research and development to both update existing products and develop new cost-effective products.

Supply risk

The Company is dependent on sole suppliers for some of its products. Disruption of supply from one of these suppliers for a period of more than a few months could have a significant impact on the Company’s revenues and profits.

Technological risk

The molecular genetics market in which the Company operates is forever changing as new technologies come onto the market. A new technology could be introduced that makes one of the Company’s product ranges obsolete with a subsequent material impact on sales and profits. In order to mitigate this risk the Company keeps abreast of new technologies through trade literature, conferences, and academic and customer contact, and invests significantly in the research and development of new products utilising new technology and knowledge.

Brexit

If the UK were to fall out of the European Union without a trading agreement then there is a risk that both the supply of materials from overseas and the export of finished goods could be disrupted with a significant detrimental impact on the Company’s revenues and operating profits. In order to mitigate this risk the Company is formulating plans to increase stocks of key raw materials and hold stocks of finished goods with overseas affiliates.

Financial risks

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Board is responsible for coordinating the Company’s risk management and focuses on actively securing the Company’s short to medium term cash flows.

The Company does not actively engage in the trading of financial assets and financial derivatives. The most significant financial risks to which the Company is exposed are described below.

Credit risk

The Company’s credit risk is primarily attributable to its trade debtors. The amounts presented in the statement of financial position are net of an allowance for doubtful debtors, estimated by the directors. The Company has no

¹ Annualised growth rate

Oxford Gene Technology (Operations) Limited

Strategic report

significant concentration of third-party credit risk, with exposure spread over a large number of customers. The Company has adopted a credit vetting policy based on track record payment history and externally available credit data.

Cash flow risk

The Company seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and properly. The Company can continue to draw on the cash balances of other OGT group companies to fund its activities if required.

Currency risk

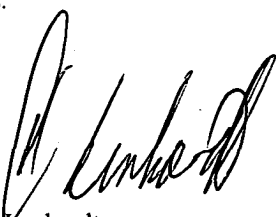
The Company is exposed to transaction foreign exchange risk mainly in relation to US dollar and Euro denominated sales. However, the Company also incurs some expenses in these currencies thus reducing the net exchange risk that is managed by regularly reviewing levels of foreign currency and selling excess foreign currency when exchange rates are favourable compared to budget and/or historic levels.

Future developments

The directors expect the Company to record an operating profit in the next financial year as a result of further, albeit slower, sales growth and a small reduction in operating expenses as a result of some sales and marketing resources being redirected to the activities of other OGT group companies.

Going concern

Although the Company owes a net £36.6 million to Group undertakings (30 September 2016: £35.3 million), there are no planned repayment dates for these debts and no request for repayment has been received. The directors, who are also the directors of the other Group companies, do not expect any request for repayment of the net amount owed in the foreseeable future and furthermore expect continued funding from Group undertakings to be provided if required. Additionally although the Company made a loss on ordinary activities before taxation in the period of £225,000, this was after non-cash effective interest charges of £346,000. The operating profit in the period of £121,000 was £732,000 above that of the previous period and the directors forecast further growth in operating profit in the coming year. In light of the continued support from Group undertakings, the Company's cash balance at the end of the period of £1.5 million (2016: £0.9 million), and the Company's increasing profitability, the directors believe the Company will have sufficient funds for the foreseeable future and as such these financial statements have been prepared on a going-concern basis.



A. J. Lenhardt

Secretary

27 September 2018

Begbroke Science Park
Begbroke Hill
Woodstock Road
Begbroke
Oxfordshire
OX5 1PF

Oxford Gene Technology (Operations) Limited

Directors' report

The directors present their report on the affairs of Oxford Gene Technology (Operations) Limited ('the Company'), together with the financial statements and auditor's report, for the eighteen month period ended 31 March 2018.

Results

The profit for the period, after taxation, amounted to £295,210 (12 month 2016: loss £426,933).

Matters covered in the Strategic Report

Details of future developments of the business, research and development expenditure, and financial risk management can be found in the Strategic Report on page 1.

Dividends

No dividend was paid during the period (2016: £nil) and no final dividend is recommended.

Directors

The directors, who served throughout the period except as noted, were as follows:

Dr J Anson (appointed 23 February 2018)
Dr M R Evans
T R Hall
Dr S Morgan (resigned 21 June 2017)
Dr D Owen
D A Oxlade
Professor Sir E M Southern (resigned 17 July 2017)
K Tsujimoto (appointed 18 October 2017)

Director's indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Political contributions

No political donations were made during the period.

Auditor

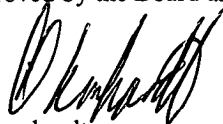
Each of the persons who is a director at the date of approval of this report confirms that:

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

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

Under section 487 of the 2006 Act Deloitte LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Approved by the Board and signed on its behalf by:



A J Lenhardt
Secretary

27 September 2018

Oxford Gene Technology (Operations) Limited

Directors' responsibilities statement

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

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

In preparing these financial statements, the directors are required to:

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

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

Independent auditor's report to the members of Oxford Gene Technology (Operations) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the eighteen month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Oxford Gene Technology (Operations) Limited (the 'Company') which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Oxford Gene Technology (Operations) Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Independent auditor's report to the members of Oxford Gene Technology (Operations) Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

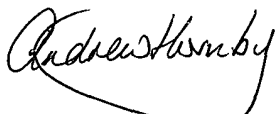
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



Andrew Hornby, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
27 September 2018

Oxford Gene Technology (Operations) Limited

Profit and loss account

For the eighteen month period ended 31 March 2018

| | Note | 18 month period ended 31 Mar 2018 £ | Year ended 30 Sep 2016 £ |
|--|------|--|--------------------------------|
| Turnover | 4 | 16,958,990 | 9,199,785 |
| Cost of sales | | <u>(10,742,567)</u> | <u>(5,944,746)</u> |
| Gross profit | | 6,216,423 | 3,255,039 |
| Distribution costs | | <u>(258,797)</u> | <u>(132,807)</u> |
| Exceptional administrative items | 7 | 178,597 | 660,257 |
| Other administrative expenses | | <u>(6,468,594)</u> | <u>(4,653,848)</u> |
| Administrative expenses | | <u>(6,289,997)</u> | <u>(3,993,591)</u> |
| Other operating income | 4 | <u>453,039</u> | <u>260,092</u> |
| Operating profit / (loss) | 10 | 120,668 | (611,267) |
| Finance costs (net) | 8 | <u>(346,018)</u> | <u>(291,651)</u> |
| Loss on ordinary activities before taxation | | (225,350) | (902,918) |
| Tax on loss on ordinary activities | 9 | <u>520,560</u> | <u>475,985</u> |
| Profit / (Loss) for the financial period attributable to the equity shareholders of the Company | | <u>295,210</u> | <u>(426,933)</u> |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The accompanying notes on pages 13 to 27 form part of these financial statements.

Oxford Gene Technology (Operations) Limited

Statement of comprehensive income

For the eighteen month period ended 31 March 2018

| | 18 month period ended 31 Mar 2018 £ | Year ended 30 Sep 2016 £ |
|--|--|---|
| Profit / (Loss) for the financial period | 295,210 | (426,933) |
| Other comprehensive income | - | - |
| Total comprehensive income attributable to equity shareholders of the Company | 295,210 | (426,933) |

Oxford Gene Technology (Operations) Limited

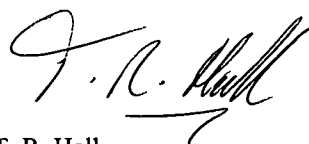
Balance sheet

At 31 March 2018

| | Note | 31 March 2018 £ | 30 September 2016 £ |
|--|------|-----------------------|---------------------------|
| Fixed assets | | | |
| Tangible assets | 11 | 586,104 | 709,478 |
| | | <u>586,104</u> | <u>709,478</u> |
| Current assets | | | |
| Stocks | 12 | 1,176,579 | 1,253,349 |
| Debtors | 13 | 14,868,777 | 10,422,417 |
| Deferred tax asset | 15 | 440,882 | - |
| Cash at bank and in hand | | 1,548,971 | 924,240 |
| | | <u>18,035,209</u> | <u>12,600,006</u> |
| Creditors: amounts falling due within one year | 14 | <u>(1,157,083)</u> | <u>(1,405,804)</u> |
| Net current assets | | <u>16,878,126</u> | <u>11,194,202</u> |
| Total assets less current liabilities | | <u>17,464,230</u> | <u>11,903,680</u> |
| Creditors: amounts falling due after more than one year | 14 | <u>(49,052,394)</u> | <u>(43,778,885)</u> |
| Deferred tax liability | 15 | - | (29,220) |
| Net liabilities | | <u>(31,588,164)</u> | <u>(31,904,425)</u> |
| Capital and reserves | | | |
| Called-up share capital | 17 | 1,000,000 | 1,000,000 |
| Profit and loss account | 18 | (32,588,164) | (32,904,425) |
| Shareholders' funds | | <u>(31,588,164)</u> | <u>(31,904,425)</u> |

The accompanying notes on pages 13 to 27 form part of these financial statements.

The financial statements of Oxford Gene Technology (Operations) Limited (registered number 03845432) were approved by the board of directors and authorised for issue on 27 September 2018. They were signed on its behalf by:



T. R. Hall
Director

Oxford Gene Technology (Operations) Limited

Statement of changes in equity

At 31 March 2018

| | Note | Called-up share capital £ | Profit and loss account £ | Total £ |
|--|------|---------------------------------|---------------------------------|---------------------|
| Balance at 1 October 2015 | | 1,000,000 | (32,471,201) | (31,471,201) |
| Loss for the year | | - | (426,933) | (426,933) |
| Total comprehensive income for the year | | - | (426,933) | (426,933) |
| Employee share based payment credit | | - | (6,291) | (6,291) |
| Balance at 30 September 2016 | | 1,000,000 | (32,904,425) | (31,904,425) |
| Profit for the period | | - | 295,210 | 295,210 |
| Total comprehensive income for the period | | - | 295,210 | 295,210 |
| Employee share based payment charge | | - | 21,051 | 21,051 |
| Balance at 31 March 2018 | | 1,000,000 | (32,588,164) | (31,588,164) |

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

1. General information

Oxford Gene Technology (Operations) Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 3.

The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

| | |
|--|--|
| <p>Amendments to IAS 1 <i>Disclosure Initiative</i></p> | <ul style="list-style-type: none"> The Company has adopted the amendments to IAS 1 <i>Disclosure Initiative</i> for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance. The adoption of these amendments has not resulted in any impact on the financial performance or financial position of the Company. |
| <p>Amendments to IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i></p> | <ul style="list-style-type: none"> The Company has adopted the amendments to IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances: <ul style="list-style-type: none"> a) when the intangible asset is expressed as a measure of revenue; or b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. As the Company already uses the straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets, respectively, the adoption of these amendments has had no impact on the Company's financial statements. |

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

1. General information (continued)

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year (continued)

| | |
|--|--|
| Amendments to IAS 27 <i>Equity Method in Separate Financial Statements</i> | <ul style="list-style-type: none"> The Company has adopted the amendments to IAS 27 <i>Equity Method in Separate Financial Statements</i> for the first time in the current year. The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: <ul style="list-style-type: none"> at cost; in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9); or using the equity method as described in IAS 28 <i>Investments in Associates and Joint Ventures</i>. The same accounting must be applied to each category of investments. The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs. The adoption of the amendments has had no impact on the Company's financial statements as the Company has no investments in subsidiaries or associates. |
| <i>Annual Improvements to IFRSs 2012-2014 Cycle</i> | <ul style="list-style-type: none"> The Company has adopted the amendments to IFRSs included in the <i>Annual Improvements to IFRSs 2012-2014 Cycle</i> for the first time in the current year. The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. The adoption of these amendments has had no effect on the Company's financial statements. |

2. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

2. Significant accounting policies (continued)

Where relevant, equivalent disclosures have been given in the group accounts of Sysmex Corporation.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Going concern

For the reasons stated on page 3 of the strategic report, the directors believe that the Company will have sufficient funds for the foreseeable future and as such the financial statements have been prepared using the going concern basis of accounting.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract when all the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

2. Significant accounting policies (continued)

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants for revenue expenditure are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

2. Significant accounting policies (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Tangible fixed assets

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

| | |
|-----------------------|------------------------------|
| Leasehold property | Over the length of the lease |
| Fixtures and fittings | 20% |
| Computer equipment | 25% - 33% |
| Laboratory equipment | 14% - 17% |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments are explained below:

Financial assets

All of the Company's financial assets are classed as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

2. Significant accounting policies (continued)

receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss account' or 'other financial liabilities'. All of the Company's financial liabilities are classed as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Share-based payments

Where the Company's parent Company has granted rights to its equity instruments to employees of the Company, such arrangements are accounted for as equity-settled share-based payment arrangements. In such instances a capital contribution is recognised to the extent that the Company is not recharged by its parent.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Recoverability of debtors including intercompany balances

Trade receivables are recognised initially at fair value and reviewed for impairment on a monthly basis. The directors have assessed the recoverability of the balance due to the Company from group undertakings based on the current activities of the group undertakings, the market value of the underlying businesses, and future developments.

Key sources of estimation uncertainty

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

Stock

Management estimates the net realisable values of stock, taking into account factors such as remaining shelf life, number of months sales in stock, sales trends and net sales prices at each reporting date.

Financial assets at amortised cost

The use of the effective interest method to measure financial assets at amortised cost requires estimations of discount rates when no interest is paid and likely repayment dates when no repayment is scheduled as is the case with amounts owed by group undertakings. Details of the discount rates and other assumptions made in the measurement of financial assets at amortised cost are shown in note 13.

4. Turnover and revenue

An analysis of the Company's turnover and revenue is as follows:

| | 18 month period ended 31 Mar 2018 £ | Year ended 30 Sep 2016 £ |
|--|--|--------------------------------|
| Continuing operations | | |
| Sales of goods | 16,605,801 | 7,952,057 |
| Revenue from the provision of services | 346,780 | 1,195,679 |
| Royalty and licence fee income | 6,409 | 52,049 |
| Turnover | 16,958,990 | 9,199,785 |
| Other operating income | 453,039 | 260,092 |
| Total revenue | 17,412,029 | 9,459,877 |

All turnover is from the Company's principal activity and originates from within the United Kingdom.

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

4. Turnover and revenue (continued)

An analysis of the Company's turnover by geographical market is set out below.

| | 18 month period ended 31 Mar 2018 £ | Year ended 30 Sep 2016 £ |
|-----------------------|--|--------------------------------|
| Turnover: | | |
| United Kingdom | 4,657,375 | 3,088,638 |
| Europe (excluding UK) | 6,545,866 | 2,639,364 |
| North America | 4,659,554 | 2,946,317 |
| Rest of World | 1,096,195 | 525,466 |
| | <u>16,958,990</u> | <u>9,199,785</u> |

5. Auditor's remuneration

The auditors' remuneration of £18,400 (2016: £16,000) in respect of the Company is borne by the parent company, Oxford Gene Technology IP Limited.

6. Staff costs

The average monthly number of employees (including executive directors) was:

| | 18 month period ended 31 Mar 2018 Number | Year ended 30 Sep 2016 Number |
|--|---|-------------------------------------|
| | <u>47</u> | <u>44</u> |

Their aggregate remuneration comprised:

| | 18 month period ended 31 Mar 2018 £ | Year ended 30 Sep 2016 £ |
|--|--|--------------------------------|
| Wages and salaries | 4,381,280 | 3,024,209 |
| Social security costs | 465,434 | 354,126 |
| Costs of defined contribution pension scheme | 428,691 | 261,410 |
| | <u>5,275,405</u> | <u>3,639,745</u> |

The directors receive remuneration from the parent company Oxford Gene Technology IP Limited and during the period, no director received any emoluments (2016: £nil) for services to the Company.

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

7. Exceptional item

| | 18 month period ended 31 Mar 2018 £ | Year ended 30 Sep 2016 £ |
|---|--|--------------------------------|
| Reversal of impairment losses recognised on inter-company balance | 178,597 | 660,257 |
| | <u>178,597</u> | <u>660,257</u> |

The exceptional gain in the period arose from the reversal of impairment losses in respect of amounts owed by Oxford Gene Technology (Southern) Ltd ("OGT Southern"), an affiliate company with net liabilities of £5,483,865 as of 31 March 2018. The reversal arose as a result of a reduction in the amount owed to the Company by OGT Southern. As in previous years the amount owed by OGT Southern is fully provided against. The amount is considered exceptional due to its size and the fact that further reductions in the amount owed by OGT Southern are not expected due to OGT Southern's limited profitability and weak financial position.

8. Interest payable and similar expenses

| | 18 month period ended 31 Mar 2018 £ | Year ended 30 Sep 2016 £ |
|---|--|--------------------------------|
| Effective interest expense on intra-group receivables | 346,018 | 291,651 |
| | <u>346,018</u> | <u>291,651</u> |

9. Tax on loss

| | 18 month period ended 31 Mar 2018 £ | Year ended 30 Sep 2016 £ |
|---|--|--------------------------------|
| Corporation tax: | | |
| UK corporation tax | - | (448,491) |
| Adjustments in respect of prior years | | |
| - UK corporation tax | (50,458) | - |
| | <u>(50,458)</u> | <u>(448,491)</u> |
| Deferred tax: (note 15) | | |
| Origination and reversal of temporary differences | (470,102) | (27,494) |
| | <u>(520,560)</u> | <u>(475,985)</u> |

Corporation tax is calculated at 19.3% (2016: 20%) of the estimated taxable profit for the year.

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

9. Tax on loss (continued)

The charge for the year can be reconciled to the loss in the profit and loss account as follows:

| | 18 month period ended 31 Mar 2018 £ | Year ended 30 Sep 2016 £ |
|--|--|--------------------------------|
| Loss before tax | (225,350) | (902,918) |
| Tax at the UK corporation tax rate of 19.33% (2016: 20%) | (43,560) | (180,583) |
| Tax effect of expenses that are not deductible in determining taxable profit | 7,750 | 54,040 |
| Tax effect of income not taxable in determining taxable profit | (34,523) | (144,136) |
| Fixed asset difference | 6,671 | 5,583 |
| Other permanent differences – EMI share scheme deduction | (484,741) | - |
| Impact of FRS 101 transition | - | (25,929) |
| Adjustment in R&D tax credit leading to an increase/(decrease) in tax charge | 13,794 | (351,039) |
| Group relief surrendered | - | 171,235 |
| Adjustment to deferred tax rate | 64,507 | (5,156) |
| Adjustment to tax charge in respect of previous periods | (50,458) | - |
| Tax credit for the year | (520,560) | (475,985) |

The Finance Bill (No.2) 2015 included legislation to reduce the main rate of corporation tax in the UK from 20% to 19%, with effect from 1 April 2017 and from 19% to 18%, with effect from 1 April 2020. Subsequently the Finance Act 2016 included legislation to reduce the main rate of corporation tax to 17% with effect from 1 April 2020.

10. Operating profit for the financial period

The operating profit for the financial period has been arrived at after charging/(crediting):

| | 18 month period ended 31 Mar 2018 £ | Year ended 30 Sep 2016 £ |
|---|--|--------------------------------|
| Net foreign exchange losses/(gains) | 53,846 | (154,720) |
| Research and development costs | 3,693,451 | 2,741,371 |
| Depreciation of tangible fixed assets | 235,807 | 164,670 |
| Gain on disposal of tangible fixed assets | (13,734) | - |
| Grant income | 141,541 | 198,917 |
| Cost of stock recognised as an expense | 10,265,349 | 5,602,221 |
| Write down of stock recognised as an expense | 30,737 | 10,596 |
| Staff costs (see note 6) | 5,275,405 | 3,639,745 |
| Reversal of impairment losses recognised on inter-company balance | (178,597) | (660,257) |

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

11. Tangible fixed assets

| | Leasehold property £ | Computer equipment £ | Laboratory equipment £ | Fixtures & fittings £ | Total £ |
|--|----------------------------|----------------------------|------------------------------|-----------------------------|------------|
| Cost | | | | | |
| At 1 October 2016 | 1,608,232 | 378,877 | 1,778,417 | 98,923 | 3,864,449 |
| Additions | - | 89,537 | 22,896 | - | 112,433 |
| Disposals | - | - | (62,500) | - | (62,500) |
| At 31 March 2018 | 1,608,232 | 468,414 | 1,738,813 | 98,923 | 3,914,382 |
| Accumulated depreciation and impairment | | | | | |
| At 1 October 2016 | 982,808 | 343,637 | 1,729,603 | 98,923 | 3,154,971 |
| Charge for the year | 160,824 | 35,744 | 39,239 | - | 235,807 |
| Eliminated on disposal | - | - | (62,500) | - | (62,500) |
| At 31 March 2018 | 1,143,632 | 379,381 | 1,706,342 | 98,923 | 3,328,278 |
| Carrying amount | | | | | |
| At 31 March 2018 | 464,600 | 89,033 | 32,471 | - | 586,104 |
| At 30 September 2016 | 625,424 | 35,240 | 48,814 | - | 709,478 |

12. Stocks

| | 31 March 2018 £ | 30 September 2016 £ |
|-------------------------------------|-----------------------|---------------------------|
| Finished goods and goods for resale | 1,176,579 | 1,253,349 |
| | <u>1,176,579</u> | <u>1,253,349</u> |

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

13. Debtors

| | 31 March 2018 £ | 30 September 2016 £ |
|---|--------------------------|---------------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 1,657,418 | 961,276 |
| Tax recoverable | 297,764 | 508,115 |
| Other debtors | 413,166 | 390,898 |
| Prepayments and accrued income | 37,732 | 82,864 |
| | <u>2,406,080</u> | <u>1,943,153</u> |
| Amounts falling due after more than one year: | | |
| Amounts owed by group undertakings | 12,462,697 | 8,479,264 |
| | <u>12,462,697</u> | <u>8,479,264</u> |
| Total debtors | <u>14,868,777</u> | <u>10,422,417</u> |

Amounts owed by group undertakings arise primarily from the sale of goods and the recharge of personnel costs to affiliates. These are initially recognised at fair value and are subsequently carried at amortised cost. The recoverability of these loans has been assessed by the directors taking into accounts the current and future activities and profitability of the underlying businesses. As a result of these assessments the directors have continued to fully provide against amounts owed by Oxford Gene Technology (Southern) Limited with a provision of £542,951 (2016: £721,548).

There are no scheduled repayment dates for amounts owed by group undertakings and it has been assumed that they will be recovered three years from the balance sheet date. The amortised cost method has been applied to advances made in the period up to the date of acquisition of the Company's immediate parent company, Oxford Gene Technology IP Limited, by Sysmex Corporation using a market rate of 4.5% (2016: 4.0%). Subsequently the amortised cost method has been applied to advances using the rate at which Sysmex Corporation would lend to the group undertaking of 1.3%.

14. Creditors

| | 31 March 2018 £ | 30 September 2016 £ |
|-------------------------------------|-----------------------|---------------------------|
| Amounts falling due within one year | | |
| Trade creditors | 829,519 | 775,608 |
| Other taxation and social security | 77,268 | 93,078 |
| Other creditors | 14,497 | 2,679 |
| Accruals | 225,666 | 433,547 |
| Deferred income | 10,133 | 100,892 |
| | <u>1,157,083</u> | <u>1,405,804</u> |

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

14. Creditors (continued)

| | 31 March 2018 £ | 30 September 2016 £ |
|--|-----------------------|---------------------------|
| Amounts falling due after more than one year | | |
| Amount owed to parent company | 30,854,035 | 29,471,177 |
| Amounts owed to other group undertakings | 18,198,359 | 14,307,708 |
| | <u>49,052,394</u> | <u>43,778,885</u> |

The amounts owed to the parent company and other group undertakings are unsecured, have no fixed repayment dates and do not accrue interest.

15. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Company and movements thereon during the current and prior reporting period.

| | Accelerated tax depreciation £ | Tax losses £ | Total £ |
|---|---|--------------------|----------------|
| At 1 October 2015 | (135,672) | 78,958 | (56,714) |
| Credit to profit or loss | 18,987 | - | 18,987 |
| Effect of change in tax rate – profit or loss | 20,350 | (11,843) | 8,507 |
| At 1 October 2016 | (96,335) | 67,115 | (29,220) |
| Credit to profit or loss | 12,011 | 458,091 | 470,102 |
| At 31 March 2018 | <u>(84,324)</u> | <u>525,206</u> | <u>440,882</u> |

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | 31 March 2018 £ | 30 September 2016 £ |
|--------------------------|-----------------------|---------------------------|
| Deferred tax liabilities | (84,324) | (96,335) |
| Deferred tax assets | 525,206 | 67,115 |
| | <u>440,882</u> | <u>(29,220)</u> |

At the balance sheet date, the Company has unused tax losses of £2,694,655 (2016: £394,794) available for offset against future profits. A deferred tax asset has been recognised in respect of £2,694,655 (2016: £394,794) of such losses. These losses may be carried forward indefinitely.

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

16. Retirement benefit schemes

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees.

The total cost charged to income of £428,691 (2016: £248,531) represents contributions payable to these schemes by the Company at rates specified in the rules of the plan. No contributions were outstanding or prepaid at 31 March 2018 or 30 September 2016.

17. Called up share capital

| | 31 March 2018 £ | 30 September 2016 £ |
|--|-----------------------|---------------------------|
| Authorised: | | |
| 10,000,000 ordinary shares of £0.10 each | 1,000,000 | 1,000,000 |
| Issued and fully paid: | | |
| 10,000,000 ordinary shares of £0.10 each | 1,000,000 | 1,000,000 |

The Company has one class of ordinary shares which carry no right to fixed income.

18. Profit and loss account

| | £ |
|--|---------------------|
| Balance at 1 October 2015 | (32,471,201) |
| Net loss for the year | (426,933) |
| Employee share based payment charge/(credit) | (6,291) |
| Balance at 1 October 2016 | (32,904,425) |
| Net profit for the year | 295,210 |
| Employee share based payment charge | 21,051 |
| Balance at 31 March 2018 | (32,588,164) |

Oxford Gene Technology (Operations) Limited

Notes to the financial statements

For the eighteen month period ended 31 March 2018

19. Financial instruments

At 31 March 2018 the Company had no financial assets “at fair value through profit and loss account”, held-to-maturity investments or available-for-sale financial assets (2016: £nil). All of the Company’s financial assets are classed as “loans and receivables”. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

| Loans and receivables | 31 March 2018 £ | 30 September 2016 £ |
|------------------------------------|-----------------------|---------------------------|
| Cash and cash equivalents | 1,548,971 | 924,240 |
| Trade and other receivables | 1,739,499 | 1,099,290 |
| Amounts owed by group undertakings | 12,462,697 | 8,479,264 |
| | <u>15,751,167</u> | <u>10,502,794</u> |

At 31 March 2018 the Company had no financial liabilities “at fair value through profit and loss account” (2016: £nil). All of the Company’s financial liabilities are classed as “other financial liabilities”. Other financial liabilities are measured at amortised cost using the effective interest method where the amount owed is not repayable on demand and the effect is material.

| Other financial liabilities | 31 March 2018 £ | 30 September 2016 £ |
|------------------------------------|-----------------------|---------------------------|
| Trade and other payables | 844,016 | 778,287 |
| Accruals | 225,666 | 433,547 |
| Amounts owed to group undertakings | 49,052,394 | 43,778,885 |
| | <u>50,122,076</u> | <u>44,990,719</u> |

20. Related party transactions

The Company has taken advantage of the exemption within FRS 101, for wholly owned subsidiary undertakings not to disclose transactions with the same group. The consolidated financial statements for Sysmex Corporation, in which the Company is included, are publically available at www.sysmex.co.jp/en/.

21. Controlling party

In the opinion of the directors, the Company’s ultimate parent Company and ultimate controlling party is Sysmex Corporation, a Company incorporated in Japan. The parent undertaking of the largest and smallest group, which includes the Company and for which group accounts are prepared, is Sysmex Corporation, registered at 1-5-1 Wakinohama-Kaigandori, Chuo-ku, Kobe 651-0073, Japan. Copies of the group financial statements of Sysmex Corporation are available from the company website www.sysmex.co.jp/en/. The Company’s immediate controlling party is Oxford Gene Technology IP Limited.