

Financial statements Oxitec Limited

For the year ended 31 December 2008

THURSDAY



AMZVI9UB

A57

14/05/2009

48

COMPANIES HOUSE

Company information

Company registration number	04512301
Registered office	Second Floor, Park Gate 25 Milton Park OXFORD OX14 4SH
Directors	Dr L S Alphey Dr D H Brooks L T Clay E D K Mott Dr D J Buckeridge H Parry
Secretary	WCPHD Secretaries Limited
Bankers	HSBC Bank plc 65 Cornmarket Street OXFORD OX1 3HY Bank of Scotland plc The Mound EDINBURGH EH1 1YZ
Solicitors	Wilmer Hale Park Gate 25 Milton Park OXFORD OX14 4SH
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditor 1 Westminster Way OXFORD OX2 0PZ

Index

Report of the directors	3 - 4
Report of the independent auditor	5 - 6
Principal accounting policies	7 - 8
Profit and loss account	9
Balance sheet	10
Notes to the financial statements	11 - 15

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2008.

Principal activities and business review

The principal activity of the company during the year was research and development in biotechnology.

There was a loss for the period after taxation amounting to £1,712,994 (2007: loss of £1,450,021). The directors are unable to recommend the payment of a dividend.

Directors

The directors who served the company during the year were as follows:

Dr L S Alphey
Dr D H Brooks
L T Clay
E D K Mott
C W Upton (resigned 22 January 2009)
R J Rickman (resigned 4 December 2008)
Dr D J Buckeridge (appointed 22 April 2008)
H Parry (appointed 4 December 2008)

Directors' and officers' liability insurance

The company has, as permitted by s309A of the Companies Act 1985, maintained insurance cover on behalf of the Directors' and Company Secretary indemnifying them against certain liabilities which may be insured by them in relation to the company.

Directors' responsibilities

The directors are responsible for preparing the Report of the directors 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records that 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 1985. 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

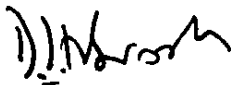
Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

ON BEHALF OF THE BOARD



D H Brooks

Director

21 April 2009



Report of the independent auditor to the members of Oxitec Limited

We have audited the financial statements of Oxitec Limited for the year ended 31 December 2008 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 16. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007), under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Report of the directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Report of the independent auditor to the members of Oxitec Limited (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the directors is consistent with the financial statements.



GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
OXFORD
28 April 2009

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate. In March 2009, the company secured an offer of additional facilities from a major shareholder to enable it to continue to operate whilst the directors complete current negotiations with existing and potential shareholders to provide additional funding required for the next stage of operations. Should this additional capital not be secured, the company would need to reduce its operations to conserve cash whilst other options are considered. The directors are confident that this will not be necessary.

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

Turnover

The turnover in the profit and loss account represents amounts receivable for goods and services provided during the year, excluding VAT. Research work is invoiced in accordance with agreed contractual milestones reflecting the amount of work carried out at that time.

Government and other grants

Government and other grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	-	20% straight line basis
Office Equipment	-	33% straight line basis

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees through a salary sacrifice arrangement. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Dividends and distributions relating to equity instruments are debited direct to equity.

Investments

Investments are held at cost.

Profit and loss account

		Year to 31 Dec 08 £	Period from 1 Sep 06 to 31 Dec 07 £
	Note		
Turnover		104,885	75,563
Other operating charges	1	2,405,795	2,305,877
Other operating income		(486,654)	(728,300)
Operating loss	2	(1,814,256)	(1,502,014)
Interest receivable		21,205	37,808
Interest payable		(18,405)	–
Loss on ordinary activities before taxation		(1,811,456)	(1,464,206)
Tax on loss on ordinary activities	4	98,462	14,185
Loss on ordinary activities after taxation, being loss for the financial year		<u>(1,712,994)</u>	<u>(1,450,021)</u>

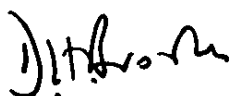
The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	5	99,656	109,327
Investments	6	51	51
		<u>99,707</u>	<u>109,378</u>
Current assets			
Debtors	7	82,390	87,719
Cash at bank and in hand		645,012	1,225,176
		<u>727,402</u>	<u>1,312,895</u>
Creditors: amounts falling due within one year	8	537,988	440,763
Net current assets		<u>189,414</u>	<u>872,132</u>
Total assets less current liabilities		<u>289,121</u>	<u>981,510</u>
Creditors: amounts falling due after more than one year	9	1,018,405	–
		<u>(729,284)</u>	<u>981,510</u>
Capital and reserves			
Called-up equity share capital	13	2,618	2,614
Share premium account	14	4,237,001	4,234,805
Profit and loss account	14	(4,968,903)	(3,255,909)
(Deficit)/shareholders' funds	14	<u>(729,284)</u>	<u>981,510</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2007).

These financial statements were approved by the directors and authorised for issue on 22 April 2009, and are signed on their behalf by:



D H Brooks
Director



H Parry
Director

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Other operating charges

	Year to 31 Dec 08 £	Period from 1 Sep 06 to 31 Dec 07 £
Administrative expenses	<u>2,405,795</u>	<u>2,305,877</u>

2 Operating loss

Operating loss is stated after charging:

	Year to 31 Dec 08 £	Period from 1 Sep 06 to 31 Dec 07 £
Staff pension contributions	59,839	41,341
Depreciation of owned fixed assets	54,124	55,209
Auditor's fees	5,000	4,500
Net (gain)/loss on foreign currency translation	<u>(55,297)</u>	<u>47,977</u>

3 Directors

Remuneration in respect of directors was as follows:

	Year to 31 Dec 08 £	Period from 1 Sep 06 to 31 Dec 07 £
Emoluments	<u>199,233</u>	<u>224,551</u>

4 Taxation on ordinary activities

Analysis of charge in the year

	Year to 31 Dec 08 £	Period from 1 Sep 06 to 31 Dec 07 £
Current tax:		
Research and development tax credit	(98,462)	(14,185)
Total current tax	<u>(98,462)</u>	<u>(14,185)</u>

4 Taxation on ordinary activities (continued)

Unrelieved tax losses of approximately £4,800,000 (2007: £3,000,000) remain available for offset against future taxable trading profits, subject to approval by Her Majesty's Revenue and Customs and prior to any research and development tax relief claims for the current year. The Company has not recognised any deferred tax asset in respect of these losses due to there being insufficient certainty regarding its recovery.

5 Tangible fixed assets

	Plant & Machinery £	Office Equipment £	Total £
Cost			
At 1 January 2008	206,779	38,266	245,045
Additions	35,972	8,480	44,452
At 31 December 2008	<u>242,751</u>	<u>46,746</u>	<u>289,497</u>
Depreciation			
At 1 January 2008	108,755	26,963	135,718
Charge for the year	46,659	7,464	54,123
At 31 December 2008	<u>155,414</u>	<u>34,427</u>	<u>189,841</u>
Net book value			
At 31 December 2008	<u>87,337</u>	<u>12,319</u>	<u>99,656</u>
At 31 August 2007	<u>98,024</u>	<u>11,303</u>	<u>109,327</u>

6 Investments

	£
Cost	
At 1 January 2008 and 31 December 2008	<u>51</u>
Net book value	
At 31 December 2008	<u>51</u>
At 31 December 2007	<u>51</u>

At 31 December 2008 the company held the allotted share capital of the following undertakings:

	Country of incorporation	Class of share capital held	Proportion held	Capital and reserves	(Loss) for the financial year
Oxitec Singapore pte 360 Genomics Limited (previously 360 Diagnostics Limited)	Singapore	Ordinary	100%	(10,574)	(9,157)
	England	Ordinary	49%	(1,057)	(11,606)

7 Debtors

	2008 £	2007 £
VAT recoverable	28,631	36,496
Other debtors	53,759	51,223
	<u>82,390</u>	<u>87,719</u>

8 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	65,277	85,951
Amounts owed to group undertakings	2	2
Other taxation and social security	30,100	25,145
Other creditors	442,609	329,665
	<u>537,988</u>	<u>440,763</u>

9 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Other loans	<u>1,018,405</u>	<u>—</u>

10 Capital commitments

The company had no capital commitments at 31 December 2008 or 31 December 2007.

11 Contingent assets and liabilities

There were no contingent assets or liabilities at 31 December 2008 or 31 December 2007.

12 Related party transactions

At 31 December 2008 Oxitec Limited had a £2 (2007: £2) share holding in Oxitec Singapore pte of which £2 (2007: £2) was unpaid at the year end.

At 31 December 2008, £7,583 (2007: £nil) was owed to the company by 360 Genomics Limited, of which Oxitec owns 49% of the issued share capital.

During the course of the year, the company has been provided with a £1,500,000 unsecured loan facility by East Hill Venture Fund LP, a business which is controlled by L T Clay, a director of Oxitec Limited. This loan is repayable in 2013. At 31 December 2008, £1,000,000 of this facility had been drawn down by the Company, incurring interest charges of £18,405 during the year.

Management fees totalling £15,000 (period ended 31 December 2007: £20,000) have been paid to Oxford Capital Partners, a business which is under the control of E D K Mott, a director of Oxitec Limited.

13 Share capital

Authorised share capital:

	2008 £	2007 £
400,000 Ordinary shares of £0.01 each	<u>4,000</u>	<u>4,000</u>

Allotted and called up:

	2008 No	£	2007 No	£
Ordinary shares of £0.01 each	<u>261,799</u>	<u>2,618</u>	<u>261,359</u>	<u>2,614</u>

On 19 August 2008, the Company made an allotment of 440 Ordinary shares of £0.01 each. The difference between the total consideration of £2,200 and the total nominal value of £4, being £2,196, has been credited to the share premium account.

14 Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Share premium account £	Profit and loss account £	Total share- holders' funds £
At 1 January 2008	2,614	4,234,805	(3,255,909)	981,510
Loss for the year	—	—	(1,712,994)	(1,712,994)
New equity share capital subscribed	4	2,196	—	2,200
At 31 December 2008	<u>2,618</u>	<u>4,237,001</u>	<u>(4,968,903)</u>	<u>(729,284)</u>

15 Share options

The company has granted a number of share options over ordinary shares to both employees and directors of the company. Under these schemes, options over 30,425 shares have been granted at an exercise price of £5, options over 1,600 shares have been granted at an exercise price of £18.78 and options over 6,715 shares were granted at an exercise price of £35. Under each scheme, the options vest immediately and are exercisable within 5 years of being granted.

The following share options are held by the directors of the company:

- Dr L S Alphey has interests in share options over 1,000 Ordinary shares of £0.01 each at an exercise price of £5.00 per share
- Dr D H Brooks has interests in share options over 2,943 Ordinary shares of £0.01 each at an exercise price of £2.20 per share and further options over 1,000 Ordinary shares of £0.01 each at an exercise price of £5.00 per share
- Dr D J Buckeridge has interests in share options over 3,000 Ordinary shares of £0.01 each at an exercise price of £5.00 per share
- E D K Mott has interests in share options over 10,000 Ordinary shares of £0.01 each at an exercise price of £18.48 per share
- H Parry has interests in share options over 10,132 Ordinary shares of £0.01 each at an exercise price of £5.00 per share

440 share options were exercised in the year ended 31 December 2008 at an exercise price of £5 per share.

16 Post balance sheet events

In February 2009, the company drew down a further £500,000 of the £1,500,000 unsecured loan facility provided by East Hill Venture Fund LP.

On 27 March 2009, the Company was provided with an offer for an additional loan facility totalling £750,000 by East Hill Venture Fund LP. This facility has been made available for a minimum period of three months from 1 May 2009 and bears interest at 3% above the 3 month LIBOR.