

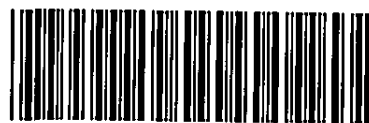
# Financial statements

## Oxitec Limited

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**For the year ended 31 December 2009**

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COMPANIES HOUSE

**Company No. 04512301**

## Company information

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

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## Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2009

### **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 £1,697,952 (2008 loss of £1,712,994) 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  
Dr D J Buckeridge  
H Parry  
C W Upton (resigned 22 January 2009)

### **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 adequate 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 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

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

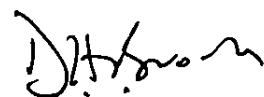
**Auditor**

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 15 of the Companies Act 2006

ON BEHALF OF THE BOARD



D H Brooks  
Director

25 February 2010



## 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 2009 which comprise the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement in the report of the directors, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime

*Grant Thornton UK LLP*

Janet Crookes  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
OXFORD

*25 February 2010*

## 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 April 2008)

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate. In December 2009, the company completed a fund raising round securing an additional £1.7 million of equity investment from existing and new shareholders. This additional capital together with a convertible loan facility of up to £846,000 secured in February 2010 is considered to be sufficient to fund the company's operations until at least the end of the first quarter of 2011.

### **Consolidation**

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore opted not to prepare group accounts under section 398 of the Companies Act 2006.

### **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 the lower of cost and net asset value of the investee company.

## Profit and loss account

	Note	2009 £	2008 £
Turnover		196,453	104,885
Other operating charges	1	2,559,776	2,405,795
Other operating income		(613,895)	(486,654)
<b>Operating loss</b>	2	<b>(1,749,428)</b>	<b>(1,814,256)</b>
Interest receivable		1,199	21,205
Interest payable		(131,800)	(18,405)
<b>Loss on ordinary activities before taxation</b>		<b>(1,880,029)</b>	<b>(1,811,456)</b>
Tax on loss on ordinary activities	4	182,077	98,462
<b>Loss on ordinary activities after taxation, being loss for the financial year</b>		<b><u>(1,697,952)</u></b>	<b><u>(1,712,994)</u></b>

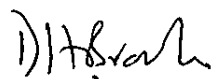
The accompanying accounting policies and notes form part of these financial statements.

## Balance sheet

	Note	2009 £	2008 £
<b>Fixed assets</b>			
Tangible assets	5	75,830	99,656
Investments	6	57,685	51
		<u>133,515</u>	<u>99,707</u>
<b>Current assets</b>			
Debtors	7	148,367	82,390
Cash at bank and in hand		2,254,603	645,012
		<u>2,402,970</u>	<u>727,402</u>
<b>Creditors amounts falling due within one year</b>	8	893,872	537,988
<b>Net current assets</b>		<u>1,509,098</u>	<u>189,414</u>
<b>Total assets less current liabilities</b>		<u>1,642,613</u>	<u>289,121</u>
<b>Creditors amounts falling due after more than one year</b>	9	2,400,188	1,018,405
		<u>(757,575)</u>	<u>(729,284)</u>
<b>Capital and reserves</b>			
Called-up equity share capital	13	3,121	2,618
Share premium account	14	5,906,159	4,237,001
Profit and loss account	14	(6,666,855)	(4,968,903)
<b>(Deficit)/shareholders' funds</b>	14	<u>(757,575)</u>	<u>(729,284)</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

These financial statements were approved by the directors and authorised for issue on 25 February 2010 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**

	2009 £	2008 £
Administrative expenses	<u>2,559,776</u>	<u>2,405,795</u>

### **2 Operating loss**

Operating loss is stated after charging

	2009 £	2008 £
Staff pension contributions	59,076	59,839
Depreciation of owned fixed assets	43,851	54,124
Auditor's fees	5,200	5,000
Net (gain)/loss on foreign currency translation	<u>(736)</u>	<u>(55,297)</u>

### **3 Directors**

Remuneration in respect of directors was as follows

	2009 £	2008 £
Emoluments	<u>290,832</u>	<u>199,233</u>

### **4 Taxation on ordinary activities**

Analysis of charge in the year

	2009 £	2008 £
Current tax		
Research and development tax credit	<u>(182,077)</u>	<u>(98,462)</u>
Total current tax	<u>(182,077)</u>	<u>(98,462)</u>

**4 Taxation on ordinary activities (continued)**

Unrelieved tax losses of approximately £6,100,000 (2008 £4,800,000) 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 2009	242,751	46,746	289,497
Additions	—	20,025	20,025
Disposals	—	(16,392)	(16,392)
At 31 December 2009	<u>242,751</u>	<u>50,379</u>	<u>293,130</u>
Depreciation			
At 1 January 2009	155,414	34,427	189,841
Charge for the year	34,279	9,572	43,851
Disposals	—	(16,392)	(16,392)
At 31 December 2009	<u>189,693</u>	<u>27,607</u>	<u>217,300</u>
Net book value			
At 31 December 2009	<u>53,058</u>	<u>22,772</u>	<u>75,830</u>
At 31 August 2008	<u>87,337</u>	<u>12,319</u>	<u>99,656</u>

**6 Investments**

	£
Cost	
At 1 January 2009	51
Additions	90,481
At 31 December 2009	<u>90,532</u>
Amounts written off	
At 1 January 2009	—
Charge for the year	32,847
At 31 December 2009	<u>32,847</u>
Net book value	
At 31 December 2009	<u>57,685</u>
At 31 December 2008	<u>51</u>

**6 Investments (continued)**

During the course of the year, the company acquired 100% of the issued share capital in Oxitec Sdn Bhd for a total cost of £90,481

At 31 December 2009 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	Singapore	Ordinary	100%	(27,474)	(16,900)
Oxitec Sdn Bhd	Malaysia	Ordinary	100%	57,634	(32,847)
360 Genomics Limited	England	Ordinary	49%	(8,577)	(7,520)

**7 Debtors**

	2009 £	2008 £
Trade Debtors	57,500	—
Amounts owed by group undertakings	34,066	—
VAT recoverable	25,848	28,631
Other debtors	30,953	53,759
	<u>148,367</u>	<u>82,390</u>

**8 Creditors: amounts falling due within one year**

	2009 £	2008 £
Trade creditors	119,539	65,277
Amounts owed to group undertakings	—	2
Other taxation and social security	34,389	30,100
Other creditors	739,944	442,609
	<u>893,872</u>	<u>537,988</u>

**9 Creditors: amounts falling due after more than one year**

	2009 £	2008 £
Other loans	<u>2,400,188</u>	<u>1,018,405</u>

**10 Capital commitments**

The company had no capital commitments at 31 December 2009 or 31 December 2008

**11 Contingent assets and liabilities**

There were no contingent assets or liabilities at 31 December 2009 or 31 December 2008

## **12 Related party transactions**

At 31 December 2009, £28,608 (2008 £30,629) was owed to the company by Oxitec Singapore pte, of which the company owns 100% of the issued share capital. This balance has been provided for as the directors do not anticipate recovery of the balance owed.

At 31 December 2009, £22,476 (2008 £nil) was owed to the company by Oxitec Sdn Bhd, of which the company owns 100% of the issued share capital.

At 31 December 2009, £42,500 (2008 £7,583) was owed to the company by 360 Genomics Limited, of which the company owns 49% of the issued share capital. Of this balance, £30,910 has been provided for as the directors do not anticipate full recovery of the balance owed.

During the course of the prior year, the company was 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 2009, £1,500,000 (2008 £1,000,000) of this facility had been drawn down by the company. During the year the company was provided with and drew down a further £750,000 loan secured by way of a debenture over the company's assets. During the year interest charges of £131,800 (2008 £18,405) were accrued and added to the amount of the outstanding loans.

Fees totalling £63,782 (2008 £15,000) have been paid to Oxford Capital Partners, a business which is under the control of E D K Mott, a director of Oxitec Limited.

Fees totalling £34,209 (2008 £nil) were accrued to East Hill Venture Fund LP, a business which is controlled by L T Clay, a director of Oxitec Limited. These fees have been paid in 2010. In addition fees totalling £55,000 (2008 £nil) were accrued to L T Clay, a director of Oxitec Limited. These fees remain unpaid.

## **13 Share capital**

Allotted and called up share capital

	2009		2008	
	No	£	No	£
Ordinary shares of £0.01 each	<u>312,136</u>	<u>3,121</u>	<u>261,799</u>	<u>2,618</u>

On 17 July 2008, the Company passed a resolution whereby the authorised share capital was increased by £500 through the creation of 50,000 new Ordinary shares of £0.01 each. On 18 December, a further resolution was passed whereby the Company's Memorandum and Articles of Association were amended to reflect the provisions of The Companies Act 2006 and as a result the Company is no longer has a limit on the authorised share capital.

On 18 December 2009, the Company made an allotment of 50,337 Ordinary shares of £0.01 each. The difference between the total consideration of £1,761,795 and the total nominal value of £503, being £1,761,292, 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 shareholders' funds
	£	£	£	£
At 1 January 2009	2,618	4,237,001	(4,968,903)	(729,284)
Loss for the year	–	–	(1,697,952)	(1,697,952)
New equity share capital subscribed	503	1,761,292	–	1,761,795
Costs associated with new share capital	–	(92,134)	–	(92,134)
At 31 December 2009	<u>3,121</u>	<u>5,906,159</u>	<u>(6,666,855)</u>	<u>(757,575)</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, there are unexercised options over 2,943 shares at an exercise price of £2.20, options over 29,032 shares at an exercise price of £5, options over 6,715 shares at an exercise price of £17.50 and options over 1,000 shares have been granted at an exercise price of £18.48. Under each scheme, the options vest over a five year period 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 and further options over 6,715 Ordinary shares of £0.01 each at an exercise price of £17.50 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 1,000 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.

**16 Post balance sheet events**

In February 2010, the company agreed a convertible loan facility with The Wellcome Trust under which the company will be able to draw up to £846,446 subject to achieving certain milestones.