

Oxitec Limited

Annual report and financial statements

Year ended 31 December 2017

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COMPANIES HOUSE

Company Registration Number: 4512301

Oxitec Limited

Registered No: 4512301

Directors

Grey Frandsen

Ricky Sterling

Christian Ulrich

Independent Auditors

PricewaterhouseCoopers LLP

3 Forbury Place

23 Forbury Road

Reading

RG1 3JH

Bankers

Santander Corporate and Commercial Banking

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Oxitec Limited

Contents

Page(s)

Strategic report	3-5
Directors' report	6-7
Independent auditors' report	8-10
Statement of Comprehensive Income	11
Balance Sheet	12
Statement of changes in equity	13
Notes to the financial statements	14-24

Oxitec Limited

Strategic report

Review of the business

The company's principal activity during the year continued to be to develop safe, highly-effective biologically-engineered solutions to control disease-transmitting and crop-destroying insects globally.

The key financial and other performance indicators during the year were as follows

	2017	2016
	£'000	£'000
Turnover	1,256	1,140
Operating loss	(8,634)	(6,026)
Total assets less current liabilities	26,830	12,649

During the year, the Company issued 176,288 additional shares to its owner in exchange for \$28,000,000 (£21,721,660). This was used during the year for working capital in the development of our commercial service offering.

Progress towards commercial launch of proprietary products are the key measures of success for Oxitec Ltd. Activities undertaken have led to the achievement of a number of major milestone announcements referred to below.

In 2017, the company focused primarily on Brazil, the USA, Central America and Caribbean for market entry of its OX513A mosquito and its cost base in 2017 reflects this focus. Staff numbers in the UK have remained relatively stable across R&D.

Income for 2017 comprises a number of on-going grants, licence income, and mostly the continuance of development of a major crop pest solution, being developed in collaboration with an external third party and are fully utilised in support of the crop pest collaboration project.

Regulatory developments

During the year and in the period to the approval and signing of the financial statements, ongoing work has resulted in:

- France's High Council for Biotechnology (HCB) issued a positive technical opinion on the use of genetically modified mosquitoes for vector control (June 2017);
- National Institute of Public Health and the Environment (RIVM) in the Netherlands undertook a technical evaluation of a potential release of OX513A mosquitoes on the Island of Saba and positively concluded that a potential release of OX513A mosquitoes on Saba would pose negligible risks to human health and the environment (July 2017);
- Approval from Brazil (CTNBio) for an open field release for OX5034 mosquito (Aug 2017).

Oxitec Limited

Strategic report (continued)

Principal Risks and Uncertainties

The principal risks and uncertainties facing the group are broadly grouped as follows:

Legislative Risks

We believe the principal risks to the Company are regulatory in that we are unable to provide a commercial service unless we have regulatory approval to release our insects.

Business Continuity

Our UK facilities are located in two premises presently in Oxfordshire, which are meeting both our R&D and manufacturing requirements. If any of those buildings were severely damaged or destroyed, it would cause short to medium term interruption, but our insect strains are kept in more than one building and in more than one country to ensure we could raise the breeding colonies of the affected insects elsewhere. The insect breeding equipment is either developed and manufactured in-house, or is widely available scientific equipment. We maintain comprehensive insurance policies to assist in the event of a significant interruption to our business.

Exposure to credit, liquidity and cashflow Risks

We do not depend solely on specific suppliers for certain materials for our insect development and rearing processes, but try to select those partners who are able to supply the appropriate quality goods and services at the right price in the markets in which we operate. We seek to settle supplier invoices on the terms agreed with them.

As the Company develops its product pipeline, there is presently relatively low risk from non-payment of debts. Income is sourced from a number of government and EU supported grant schemes and its collaboration income derives from a large Wall Street listed corporation, which the Company regards as low risk.

The Company anticipates future loss making periods as its products complete the development phase and will likely require additional cash injection. During 2017, the Company obtained additional working capital investment to fund on-going operations and in 2018 Intrexon Corporation continued to support the Company with further equity investment and has indicated its intention to continue doing so.

Future Developments

It is the aim of the Company to invest in a medium scale mosquito rearing facility in the UK to support global pilots with capacity expanding as global approvals are achieved. In addition to fulfilling contracts in the Americas, this investment will enable the Company to develop the expertise needed to expand the scale of production more rapidly into the future.

Oxitec Limited

Strategic report (continued)

Scientific and service developments

Oxitec continues to develop and enhance its existing technologies so as to bring its pipeline of products to market both in the areas of human health and crop production.

New patents continue to be registered and we continue to be registered and we continue to develop new IP in production processes, equipment, delivery and monitoring in both the mosquito and agricultural spaces.

Post balance sheet events

On 27 April 2018, the company received additional funding by way of issuing a further 30,008 shares to Intrexon Corporation for the sum of £3,443,176. On 7 September 2018, the company received additional funding by way of issuing a further 18,888 shares to Intrexon Corporation for the sum of £2,307,313.

During 2018 the company signed an agreement with Bill and Melinda Gates Foundation which provides funding for research into the control of malaria-spreading mosquitoes.

Approved by the Board and signed on its behalf by:


Grey Frandsen
Director
19 December 2018

Oxitec Limited

Directors' report

The Directors present their annual report and audited financial statements of the Company for the year ended 31 December 2017.

The following information is not shown in the Directors' Report because it is shown in the Strategic Report on page 3 to 5 instead under s414c(11)

- Future Developments
- Post Balance Sheet Events

Results and dividends

The loss for the year ended 31 December 2017 amounted to £8,379,000 (2016: £5,646,000).

Directors

The Directors, who served during the year and to the date of signing, unless otherwise indicated, were as follows:

Grey Frandsen	(appointed 19 December 2017)
Ricky Sterling	
Christian Ulrich	
Hadyn Parry	(resigned 16 August 2017)
Mark Carnegie Brown	(appointed 14 June 2017, resigned 8 January 2018)

Going concern

The directors have reviewed the going concern requirement and have received a letter of support from Intrexon Corporation to provide the Company with sufficient resources to meet its liabilities as they fall due. Accordingly, the Directors consider that the going concern assumption is appropriate.

Directors' liabilities

The Company has granted an indemnity to one or more of its Directors against liability brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

Oxitec Limited

Directors' Report (continued)

Statement of Directors' responsibilities

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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:

- o select suitable accounting policies and then apply them consistently;
- o state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- o Make judgements and accounting estimates that are reasonable and prudent; and
- o prepare 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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.

Disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- o To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- o Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP were reappointed as auditors under section 487(2) of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



Grey Frandsen
Director

19 December 2018

Oxitec Limited

Independent auditor's report to the members of Oxitec Limited

Report on the audit of the financial statements

Opinion

In our opinion, Oxitec Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended:
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable Law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Oxitec Limited

Independent auditor's report to the members of Oxitec Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Oxitec Limited

Independent auditor's report to the members of Oxitec Limited (continued)

Auditors' 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 auditors' 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 those financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Sam Taylor (Senior Statutory Auditors)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

19 December 2018

Oxitec Limited

Statement of Comprehensive Income for the year ended 31 December 2017

		Year ended 31 December 2017	Year ended 31 December 2016
	Notes	£'000	£'000
Revenue	2	1,256	1,140
Cost of Sales		(834)	(659)
Gross profit		422	481
Research and development expenses		(5,329)	(3,768)
Administrative expenses		(4,140)	(3,293)
Other operating income	2	413	554
Operating loss	3	(8,634)	(6,026)
Finance income	6	255	380
Loss before taxation		(8,379)	(5,646)
Tax on loss	7	-	-
Loss for the financial year		(8,379)	(5,646)

There were no recognised gains or losses for the years other than as shown as above.

All results are derived from continuing operations.

Oxitec Limited

Balance Sheet As at 31 December 2017

	Note	2017	2016
		£'000	£'000
Assets			
Non current assets			
Intangible assets	9	893	-
Property, plant and equipment	10	1,998	2,378
Investment in subsidiaries	11	1,632	319
		<u>4,523</u>	<u>2,697</u>
Current assets			
Trade and other receivables	12	19,419	12,267
Cash and cash equivalents		5,134	164
		<u>24,553</u>	<u>12,431</u>
Current liabilities			
Trade and other payables	13	(2,246)	(2,479)
Total assets less current liabilities		<u>26,830</u>	<u>12,649</u>
Equity and liabilities			
Called up Share capital	14	13	11
Share premium account		65,366	43,646
Capital redemption reserve		2,751	1,913
Accumulated Losses		(41,300)	(32,921)
Total equity and liabilities		<u>26,830</u>	<u>12,649</u>

The notes on pages 14 to 24 are an integral part of these financial statements

The financial statements of Oxitec Limited (registered number: 4512301) were approved and authorised for issue by the Board of Directors on 19 December 2018. They were signed on its behalf by:

Grey Frandsen
Director



Oxitec Limited

Statement of changes in equity for the year ended 31 December 2017

	Share Capital £'000	Share premium £'000	Capital redemption reserve £'000	Accumulat- ed losses £'000	Total Equity £'000
At 1 January 2017	11	43,646	1,913	(32,921)	12,649
Equity issue	2	21,720	-	-	21,722
Share based payment charge	-	-	838	-	838
Loss for the year	-	-	-	(8,379)	(8,379)
At 31 December 2017	13	65,366	2,751	(41,300)	26,830
At 1 January 2016	10	32,831	413	(25,775)	7,479
Equity issue	1	10,815	-	-	10,816
Share based payment charge	-	-	1,500	(1,500)	-
Loss for the year	-	-	-	(5,646)	(5,646)
At 31 December 2016	11	43,646	1,913	(32,921)	12,649

Oxitec Limited

Notes to the financial statements for the year ended 31 December 2017

Oxitec Limited is a limited company incorporated and domiciled in the UK.

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and prior year.

Accounting convention

These financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS102) and are presented as required by the Companies Act 2006 under the historical cost convention.

As permitted by FRS 102, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, disclosure of key management personnel compensation and certain related party transactions.

The Company is a wholly owned subsidiary of Intrexon UK Insect Holdings Limited and of its ultimate parent, Intrexon Corporation. It is included in the consolidated financial statements of Intrexon Corporation which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The Directors have received a letter of support from Intrexon Corporation to provide the Company with sufficient resources to meet its liabilities as they fall due. Accordingly, the Directors consider that the going concern assumption is appropriate.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered less value added taxes.

The Company generates revenue from funded research and development programmes. Amounts receivable in respect of milestone payments are recognised as revenue when the specific conditions stipulated in the agreement have been met. Payments linked to "success" such as regulatory filing or approval, achievement of specified sales volumes or other milestones, are recognised in full when the relevant event has occurred. Otherwise, amounts receivable are recognised in the period in which related costs are incurred, or over the estimated period to completion of the relevant phase of development.

Other operating income

Government and other grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure is incurred. Where there is significant uncertainty over the timing or amount of grant income, this is only recognised on a receipt basis.

Oxitec Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

Foreign currency

The functional currency is UK sterling (UK £). Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Pensions and other post-employment benefits

The Company operates a defined contribution scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

Share based payments

Where the Company participates in a share-based payment arrangement established by a group company the company takes advantage of the alternative treatment allowed under Section 26 of FRS 102. The company recognises the share-based payment expense based on an allocation of its share of the group's total expense, calculated in proportion to the number of participating employees. The corresponding credit is recognised in retained earnings as a component of equity.

Where the Company is charged for the cost of share-based payments arrangements the amounts are treated as a reduction in the capital contribution. If the amount charged is in excess of the share-based payment charge the company treats the excess as a notional distribution and charges this to retained earnings.

Leases

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Corporation tax

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Unrelieved tax losses of approximately £38,753,942 (2016: £31,456,756) remain available for offset against future trading profits, 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 uncertainty regarding its recovery in the foreseeable future.

Research and development tax credits are recognised on an accruals basis for the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost to the Company less accumulated depreciation and any impairment loss. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Depreciation is calculated on all property, plant and equipment, from the time the assets are available for use, on a straight line basis over the estimated useful life as follows:

Leasehold improvements	- over the period of the lease
Fixtures, fittings and equipment	- 3 to 8 years

Assets under construction are not depreciated.

Oxitec Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

Software

During 2017, the Directors reviewed property, plant and equipment and identified that computer software had been incorrectly categorised in property, plant and equipment rather than intangible assets. This has been corrected in these financial statements.

Intangible assets - computer software

Computer software are stated at cost to the Company less accumulated amortisation and any impairment loss. Computer software is amortised over 3 to 5 years.

Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses.

Impairment of non financial-assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit and loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect reported amounts at the end of the year.

Estimates, assumptions and judgements are applied by the Company. These include, but are not limited to, accruals, provisions for impairments of assets and impairment on investments. These estimates, assumptions and judgements are also evaluated on a continual basis but are not significant.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Oxitec Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

Financial instruments

Notwithstanding the exemptions taken the company has elected to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, amounts due from group undertakings, cash and bank balances and accrued income, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised costs are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account. If there is a decrease in impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account. Other financial assets are initially measured at fair value, which is normally the transaction price.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, amounts due to group undertakings and accruals, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Oxitec Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction from the proceeds.

Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

2 Revenue and other operating income

	2017 £'000	2016 £'000
<i>Revenue</i>		
United States – collaboration revenue	1,256	1,140
	<u>1,256</u>	<u>1,140</u>
<i>Other operating income</i>		
Tax credits receivable	220	298
<i>Research grants</i>		
European Union	99	110
Australian	17	146
Indian	77	-
	<u>413</u>	<u>554</u>

3 Operating loss

	2017 £'000	2016 £'000
Operating loss is stated after charging/(crediting)		
Depreciation	352	307
Amortisation	82	1
Profit on disposal of fixed assets	(38)	-
Operating lease charges	218	235
Net foreign exchange losses	79	16
Auditor's remuneration		
- audit services	30	28
Impairment of intercompany balance	974	-
Share based payment charge	838	-
R&D expenditure	5,329	3,768

In addition to the audit fees above £8,745 (2016: £9,500) was paid to the Company's auditors by the Company in respect of the statutory audit of the immediate parent company Intrexon UK Insect Holdings Limited. This amount will not be reimbursed.

Oxitec Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

4 Staff costs and numbers

	2017 £'000	2016 £'000
Wages and salaries	2,861	2,966
Social security costs	313	283
Other pension costs	337	201
Share based payment charge	838	-
	<u>4,349</u>	<u>3,450</u>

The average monthly number of employees during the year was made up as follows:

	2017 numbers	2016 numbers
Research	54	47
Development and Regulatory	8	9
Administration	8	10
	<u>70</u>	<u>66</u>

Included in other pension costs are £337,208 (2016: £200,599) in respect of the defined contribution scheme.

5 Directors' emoluments

	2017 £'000	2016 £'000
Aggregate emoluments	373	317
Company contributions to money purchase pension plans	22	21
Share based payment charge	144	-
	<u>539</u>	<u>338</u>
Highest paid director		
Aggregate emoluments	245	317
Company contributions to money purchase pension plans	22	21
Share based payment charge	144	-
	<u>411</u>	<u>338</u>

R Sterling and C Ulrich do not receive any remuneration in relation to their position as Directors of the Company.

No Director exercised share options during the current or prior year.

6 Finance income

	2017 £'000	2016 £'000
Interest receivable from Group undertakings	248	365
Other interest received	7	15
	<u>255</u>	<u>380</u>

Oxitec Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

7 Tax on loss

	2017 £'000	2016 £'000
(a) Analysis of credit for the year:		
Current tax:		
UK corporation tax charge	-	-
Total current tax	-	-
(b) Factors affecting current taxation for the year:		
Loss before tax	(8,379)	(5,646)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(1,613)	(1,129)
Adjustments in respect of:		
Expenses not deductible for tax purposes	50	127
Capital allowances in excess of depreciation	2	(345)
Timing difference on share options	161	(1)
Timing differences on pension contributions	(5)	-
Tax losses not recognised	1,405	1,348
Total tax charge	-	-
(c) Deferred tax		

Unrelieved tax losses of approximately £38,753,942 (2016: £31,456,756) remain available for offset against future taxable trading profits, 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 uncertainty regarding its recovery in the foreseeable future.

8 Share based payments

Certain employees of the Company along with other group employees have been granted options over shares in Intrexon Corporation. The options are granted with a fixed exercise price, are exercisable in equal tranches over one to four years and expire 10 years after the date of grant. Employees are required to remain in employment with the group. A charge of £837,782 (2016: £1,500,000) has been recognised in the profit and loss account in relation to these options. This has been credited to a capital redemption reserve as the Company is not required to reimburse Intrexon Corporation.

A reconciliation of share options movements over the year to 31 December 2017 is shown below:

	2017		2016	
	No.	Weighted average exercise price £	No.	Weighted average exercise price £
Outstanding at 1 January	440,000	19.86	500,000	19.86
Granted	205,000	17.27	-	-
Adjustment due to dividend	1,764	22.72	-	-
Exercised			(12,500)	19.86
Forfeited	(411,103)	19.02	(47,500)	19.86
Outstanding at 31 December	235,661	18.84	440,000	19.86
Exercisable at 31 December	100,400	19.86	110,000	19.86

Oxitec Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

8 Share based payments (continued)

The options granted by Intrexon Corporation have been converted at the USD to GBP exchange rate applying on the grant date from a per option amount of \$29.39. On 9 January 2017, Intrexon Corporation diluted its capital by way of a dividend of shares in its subsidiary, Aquabounty Technologies, resulting in a reduction of the exercise price by \$0.12 per option. The Company is liable for Class 1 National Insurance contributions on the net gain of options by employees. At the balance sheet date, the share price was below the exercise price, both original and adjusted post 9 January, therefore no provision has been made for such a charge.

9 Intangible assets

	Computer software £'000
Cost	
Reclassified from PPE	493
Additions	518
Disposals	(35)
At 31 December 2017	<u>976</u>
Amortisation	
Reclassified from PPE	1
Provided during year	82
Impairment	
At 31 December 2017	<u>83</u>
Net book amount as at 31 December 2017	<u>893</u>

During the year ended 31 December 2018 these assets have been fully impaired.

10 Property, plant and equipment

	Assets under construction £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 31 December 2016	12	1,780	1,051	2,844
Additions	-	398	156	554
Reclassified to intangible assets			(493)	(493)
Transfer	(12)	-	12	-
Disposals	-	-	(139)	(139)
At 31 December 2017	<u>-</u>	<u>2,178</u>	<u>587</u>	<u>2,766</u>
Depreciation				
At 31 December 2016	-	290	176	466
Provided during year	-	240	112	352
Reclassified to intangible assets			(1)	(1)
Disposals	-		(49)	(49)
At 31 December 2017	<u>-</u>	<u>530</u>	<u>238</u>	<u>768</u>
Net book amount as at 31 December 2017	<u>-</u>	<u>1,648</u>	<u>349</u>	<u>1,998</u>
Net book amount as at 31 December 2016	<u>12</u>	<u>1,490</u>	<u>875</u>	<u>2,378</u>

Oxitec Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

10 Property, plant and equipment

Included in property plant and equipment disposals are assets that related to Oxitec Cayman Limited. Cost of £127k and accumulated depreciation of £49k.

11 Investments

	£'000
At 31 December 2016	319
Additions	1,313
	1,632

During the year the company increased its investment in Oxitec do Brasil Tecnologia de Insetos Ltda by £1,313,414 (2016: Nil)

During the year the company established two new subsidiaries which it owns 100%. Oxitec Australia Pty Ltd and Precision Biological Innovation S.R.L

Details of investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Company name	Principal Activity	Country of Incorporation	% equity Interest
Oxitec do Brasil Tecnologia de Insetos Ltda	Insects	Brazil	100
Oxitec Singapore pte	dormant	Singapore	100
Oxitec Sdn Bhd	dormant	Malaysia	100
Oxitec Cayman Limited	insects	Grand Cayman	100
Oxitec Australia Pty Ltd	dormant	Australia	100
Mosquito Technologies Limited	dormant	Mexico	99
Precision Biological Innovation, S.R.L.	dormant	Costa Rica	100

Registered addresses:

Oxitec do Brasil Tecnologia de Insetos Ltda, Avenida Alexander Grahn Bell, 200 Bloco C, Modulo 3, Techno Park, CEP 13069-310, Campinas, SP, Brazil.

Oxitec Singapore pte, 133 New Bridge Road, #09-06 Chinatown Point, 059413, Singapore

Oxitec Sdn Bhd, Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250, Kuala Lumpur, Malaysia

Oxitec Cayman Limited, Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104

Oxitec Australia Pty Ltd, Level 12, 680 George Street, Sydney, New South Wales 2000, Australia

Mosquito Technologies Limited, Bosque de Circuelos 1800 PP, Bosques de las Lomas, Michael Hidalgo, Mexico City 11700, Mexico

Precision Biological Innovation, S.R.L. San Jose Downtown, Calle 7, Avenidas 7 y 9, Edificio #751, Barrio Amon, San Jose, Costa Rica

Oxitec Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

12 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables		
Research and development tax credit receivable	564	515
Other receivables	2	46
VAT recoverable	212	172
Amounts owed by Parent undertakings	173	-
Amounts owed by Group undertakings	18,258	11,264
Prepayments and accrued income	210	270
	19,419	12,267

The directors have considered the recoverability of the amounts owed by group undertakings and have previously fully provided against amounts owed by Oxitec Sdn Bhd and Oxitec Singapore pte and in the current year have fully provided £973,557 against amounts owed by Oxitec Cayman Limited. The directors believe the remaining amounts relating to Oxitec do Brasil Tecnologia de Insetos Ltda will be recoverable in the long term as the subsidiary's activities develop further. In respect of the amounts owed by Group undertakings, an amount of £4,895,000 is interest bearing (six month USD LIBOR + 3%), an amount of £6,000,000 interest bearing (six months GBP libor + 3%), the remaining amount of £6,600,000 is interest free. There is also £763,000 of accrued interest on the above mentioned loans. All amounts are unsecured and are repayable on demand after one year and at the latest five years after the instalment was made, or convertible into equity of the borrowing company.

The amounts owed by parent company are all trading balances, and unsecured, interest-free and are repayable on demand.

13 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	536	484
Taxation and social security	241	138
Other creditors	156	56
Accruals and deferred income	1,313	1,801
	2,246	2,479

14 Called up Share capital

	2017 No.	2017 £'000	2016 No.	2016 £'000
Issued, called up and fully paid				
At 1 January	1,101,803	11	1,007,363	10
Issued during year	176,288	2	94,440	1
At 1 December	1,278,091	13	1,101,803	11

Ordinary shares of £0.01

During the year, the Company issued 62,960 shares on 4 January 2017 for £8.04 million, 62,960 shares on 13 June 2017 for £7.76million and 50,368 shares on 20 December 2017 for £5.92 million.

During the year ended 31 December 2016 the company issued 47,220 shares on 24 May 2016 for £5.1m and 47,220 shares on 31 August 2017 for £5.7m.

Oxitec Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

15 Minimum lease payments

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017	2016
	£'000	£'000
Payments due		
Not later than one year	210	140
Later than one year but not later than five years	385	577
	595	717

16 Related party transactions

At 31 December 2017 £2,000 (2016: £8,000) was owed to the company by Genefirst Limited, of which the company owns 12% of the issued share capital.

17 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Intrexon UK Insect Holdings Limited

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Intrexon Corporation. Copies of Intrexon Corporation consolidated financial statements can be obtained from the Legal Department at 20374 Seneca Meadows Parkway, Germantown, MD 20876, United States