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**F-STAR BIOTECHNOLOGY LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**F-STAR BIOTECHNOLOGY LIMITED**

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## **F-STAR BIOTECHNOLOGY LIMITED**

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### **COMPANY INFORMATION**

#### **DIRECTORS**

J Dancer  
T Hassan  
J Haurum

#### **COMPANY NUMBER**

08067987

#### **REGISTERED OFFICE**

Eddeva B920  
Babraham Research Campus  
Cambridge  
CB22 3AT

#### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Abacus House  
Castle Park  
Cambridge  
CB3 0AN

#### **BANKERS**

HSBC Bank  
63-64 St Andrews Street  
Cambridge  
CB2 3BZ

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## **F-STAR BIOTECHNOLOGY LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

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The Directors present their report and the audited financial statements for the year ended 31 December 2015. F-star Biotechnology Limited is a private limited company incorporated in England and Wales. The Company's registered office is disclosed on page 1.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Company during the year under review was the discovery and development of antibody products to improve the treatment of serious diseases.

#### **FINANCIAL RISK MANAGEMENT**

The Company's financial risk management policies are detailed in note 15 in the accompanying financial statements.

#### **FUTURE DEVELOPMENTS**

Since the end of the year the Company has continued to provide antibody research, development and other services to related company, F-star Beta Limited, and its other customers. Future plans include further enhancement of the technology platform as well as developing advantageous commercial relationships with biotech and pharma customers.

#### **RESEARCH AND DEVELOPMENT**

The Company's research and development is focused on developing novel antibody products that significantly improve on the current standard of care for patients with serious diseases such as cancer. The Company's Modular Antibody Technology allows it to rapidly discover and develop antibodies by introducing additional binding sites to the constant region of an antibody thus overcoming current limitations in the development and manufacture of antibodies.

#### **RESULTS AND DIVIDENDS**

The loss and total comprehensive expense for the year amounted to £817,252 (2014: profit of £831,722).

No dividends have been paid or proposed in the current year (2014: £Nil).

#### **GOING CONCERN**

As at the balance sheet date of 31 December 2015, cash resources amounted to £1,272,141.

The Company is dependent upon receiving payments for services that it provides to a related party company, F-star Beta Limited. These include payments for employees carrying out research and ancillary administrative services. To the extent that these payments are insufficient to fund operations, short term loan funding of up to £8,500,000 has been made available (at LIBOR plus 2%) to the Company from F-star Alpha Limited, a related company.

On 14 January 2015, 16 January 2015 and 10 February 2015, the Company received loans of £4,000,000, \$500,000 and \$500,000 respectively from F-star Alpha Limited, a related party company, at LIBOR plus 2%. Although these loans are repayable on demand, the company has received a letter of support from the directors of F-star Alpha Limited stating that it is their intention not to recall these loans for repayment for a period of at least twelve months from the date of signing these financial statements unless there are adequate funds in the company to settle liabilities as they fall due for this period of time. Further funding is available to F-star Biotechnology Limited from F-star Alpha Limited, subject to a maximum loan balance of £8,500,000.

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**F-STAR BIOTECHNOLOGY LIMITED**

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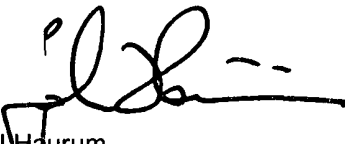
**DIRECTORS' REPORT CONTINUED  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**INDEPENDENT AUDITORS**

Under section 487 of the Companies Act 2006, PricewaterhouseCoopers 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 financial statements with the registrar, whichever is earlier.

This report was approved by the board on 17/4/2016 and signed on its behalf by



J Haurum  
Director

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## **F-STAR BIOTECHNOLOGY LIMITED**

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### **DIRECTORS' REPORT CONTINUED FOR THE YEAR ENDED 31 DECEMBER 2015**

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#### **GOING CONCERN (CONTINUED)**

Therefore, the Directors have concluded that the cash currently held by the Company, together with the anticipated receipts for providing services to F-star Beta Limited and short term loan funding, will provide sufficient resources for the Company to be able to continue in operational existence for at least 12 months from the date of signing of the financial statements. They have therefore concluded that it is appropriate to prepare these financial statements on a going concern basis.

#### **DIRECTORS**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

J Dancer  
J Haurum

On 15 March 2016, T Hassan was appointed as a director of the Company.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Directors' 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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; and
- make judgements and accounting estimates that are reasonable and prudent.

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.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **PROVISION OF INFORMATION TO AUDITORS**

Each of the persons who are Directors at the time when this Directors' Report is approved confirms that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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## F-STAR BIOTECHNOLOGY LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF F-STAR BIOTECHNOLOGY LIMITED

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## Report on the financial statements

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### Our opinion

In our opinion, F-star Biotechnology Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
  - have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

### What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

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In our opinion, the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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## Other matters on which we are required to report by exception

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### Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

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### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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### Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

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## F-STAR BIOTECHNOLOGY LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF F-STAR BIOTECHNOLOGY LIMITED

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## Responsibilities for the financial statements and the audit

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### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Simon Ormiston (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge

25 April 2016



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**F-STAR BIOTECHNOLOGY LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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	Note	2015 £	2014 £
<b>Revenue</b>	2	<b>7,746,867</b>	7,143,398
Investment income	7	<b>11,247</b>	144
Other income	2	<b>180,630</b>	285,258
Other gains/(losses)	3a	<b>14,251</b>	(37,158)
Raw materials and consumables used		<b>(1,932,270)</b>	(1,207,904)
Employee expense	4	<b>(3,295,862)</b>	(2,906,246)
Depreciation and amortisation		<b>(231,823)</b>	(181,161)
Profit on disposal of fixed assets		<b>10,297</b>	-
Other expenses	3b	<b>(3,158,148)</b>	(2,263,533)
Finance costs	6	<b>(142,350)</b>	(7,057)
<b>(Loss)/profit before tax</b>		<b>(797,161)</b>	825,741
Corporate tax	8	<b>(20,091)</b>	5,981
<b>(Loss)/profit for the year and total comprehensive (expense)/income</b>		<b>(817,252)</b>	831,722

All profits and losses relate to continuing operations.

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**F-STAR BIOTECHNOLOGY LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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	<b>Share capital - ordinary £</b>	<b>Share premium £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
<b>Equity as at 31 December 2013</b>	<b>2,000</b>	<b>3,499,000</b>	<b>(3,561,756)</b>	<b>(60,756)</b>
Profit for the year and total comprehensive income	-	-	831,722	831,722
<b>Transactions with owners of the Company, recognised directly in equity</b>				
Share-based payment transactions	-	-	171,905	171,905
<b>Equity as at 31 December 2014</b>	<b>2,000</b>	<b>3,499,000</b>	<b>(2,558,129)</b>	<b>942,871</b>
Loss for the year and total comprehensive income	-	-	(817,252)	(817,252)
<b>Transactions with owners of the Company, recognised directly in equity</b>				
Share-based payment transactions	-	-	335,168	335,168
<b>Equity as at 31 December 2015</b>	<b>2,000</b>	<b>3,499,000</b>	<b>(3,040,213)</b>	<b>460,787</b>

The accompanying notes form part of the financial statements.

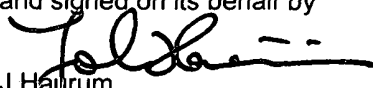
**F-STAR BIOTECHNOLOGY LIMITED**  
**REGISTERED NUMBER: 08067987**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	Note	2015 £	2014 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	946,678	491,714
Intangible assets	10	-	255
<b>Total non-current assets</b>		<u>946,678</u>	<u>491,969</u>
<b>Current assets</b>			
Trade and other receivables	11	4,783,182	2,012,203
Corporate tax receivable		-	499,814
Cash and cash equivalents	12	1,272,141	240,808
<b>Total current assets</b>		<u>6,055,323</u>	<u>2,752,825</u>
<b>Total assets</b>		<u>7,002,001</u>	<u>3,244,794</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital – ordinary	17	2,000	2,000
Share premium		3,499,000	3,499,000
Accumulated losses		(3,040,213)	(2,558,129)
<b>Total equity</b>		<u>460,787</u>	<u>942,871</u>
<b>Current liabilities</b>			
Trade and other payables	13	1,826,939	2,301,923
Loans from group companies	14	4,714,275	-
<b>Total current liabilities</b>		<u>6,541,214</u>	<u>2,301,923</u>
<b>Total equity and liabilities</b>		<u>7,002,001</u>	<u>3,244,794</u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

The financial statements on pages 7 to 31 were approved by the Board of Directors on 17/4/2016 and signed on its behalf by

  
J Haurum  
Director

The accompanying notes form part of the financial statements.

**F-STAR BIOTECHNOLOGY LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £	2014 £
<b>Cash flows from operating activities</b>			
(Loss) / profit before tax		(797,161)	825,741
<b>Adjustments for:</b>			
Interest income		(11,247)	(144)
Finance costs		142,350	7,057
Depreciation and amortisation		231,823	181,161
Profit on disposal of fixed assets		(10,297)	-
Equity-settled share-based payment transactions	19	335,168	171,905
Increase in trade and other receivables		(1,293,304)	(1,034,770)
Decrease in trade and other payables		(474,984)	(362,285)
Foreign exchange movements on loans		(34,119)	-
<b>Cash outflow from operations</b>		(1,911,771)	(211,335)
Income taxes received		482,190	-
<b>Net cash outflow from operating activities</b>		(1,429,581)	(211,335)
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment	9	(707,234)	(271,048)
Proceeds from sale of property, plant and equipment		30,999	-
Loan granted to group company		(1,418,686)	-
Interest received		4,651	144
<b>Net cash used in investing activities</b>		(2,090,270)	(270,904)
<b>Cash flows from financing activities</b>			
Interest paid		(106,672)	(7,057)
Repayment of loans from group company		-	(436,291)
Proceeds from loan from related company		4,657,856	-
<b>Net cash flows generated from/(used in) financing activities</b>		4,551,184	(443,348)
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,031,333	(925,587)
Cash and cash equivalents at beginning of year		240,808	1,166,395
<b>Cash and cash equivalents at end of year</b>		1,272,141	240,808

The accompanying notes form part of the financial statements.

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## **F-STAR BIOTECHNOLOGY LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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#### **1. ACCOUNTING POLICIES**

##### **a. PRESENTATION OF FINANCIAL STATEMENTS**

##### **CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, the Directors are required to make judgments, 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 of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty relating to these financial statements are:

- Value of property, plant and equipment: in respect of the estimation of depreciation policies adopted by the company; and
- Share-based payments: the fair value of share-based payments has been estimated using the Black-Scholes model. There are a number of subjective inputs into the calculation of the charge, the most significant of which is the share price on the date of grant.

The directors have made an assessment of whether F-star Biotechnology Limited controls its related party entities, F-star Alpha Limited and F-star Beta Limited, under IFRS 10, 'Consolidated financial statements'. This has required the directors to exercise significant judgment. On the basis of the assessment set out below, the directors have concluded that the company does not control either F-star Alpha Limited or F-star Beta Limited and consequently, these companies have not been consolidated in these financial statements.

Under IFRS 10, an investor controls an investee if, and only if, the investor has power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and, the ability to use its power over the investee to affect the amount of the investor's returns. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the relevant activities that significantly affect the investee's returns.

Although the company has no equity investment in F-Star Alpha Limited or F-star Beta Limited, there are common shareholders with the company's parent company, f-star Biotechnologische Forschungs- und Entwicklungsges.m.b.H. The company's sub-licence agreements with both companies and the service agreement for the provision of research and development services with F-star Beta Limited are at market rates.

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## **F-STAR BIOTECHNOLOGY LIMITED**

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### **DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED**

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#### **1. ACCOUNTING POLICIES CONTINUED**

##### **a. PRESENTATION OF FINANCIAL STATEMENTS CONTINUED**

The relevant activities of F-star Beta Limited are the direction of the development activities of scientists for the discovery and development of antibody products to improve the treatment of serious diseases. The company is a provider of these services to F-star Beta Limited under a services agreement negotiated at arm's length. The directors of F-star Beta Limited have the ability to terminate without cause (with a 60-day notice period) the service agreement and could continue their activities on their own without the involvement of the company, as demonstrated following the cessation of services supplied to F-star Alpha Limited in the prior year as a result of F-star Alpha Limited entering into an agreement with a third party. This suggests that the company does not have the power to direct the relevant activities of F-star Beta Limited and, therefore, should not be consolidating it.

F-star Alpha Limited incurs corporate costs and holds the exclusive intellectual property rights to the FS102 programme which have been sub-licensed to a third party. There are no transactions with F-star Alpha which would suggest the company has the power to direct its relevant activities and therefore management has concluded the company should not be consolidating F-star Alpha Limited.

##### **b. OVERALL CONSIDERATIONS**

The principal accounting policies adopted in the preparation of the financial statements are set out below.

##### **i. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

##### **ii. GOING CONCERN**

The Company is a research and development based business that has received significant funding from f-star Biotechnologische Forschungs-und Entwicklungsges.m.b.H., its parent company, and currently has insufficient revenue to cover the cost of its on-going research. As at the balance sheet date of 31 December 2015, cash resources amounted to £1,272,141.

The Company is dependent upon receiving payments for services that it provides to a related party company, F-star Beta Limited. These include payments for employees carrying out research and ancillary administrative services. To the extent that these payments are insufficient to fund operations, short term loan funding has been made available (at LIBOR plus 2%) to the Company from F-star Alpha Limited, a related Company.

On 14 January 2015, 16 January 2015 and 10 February 2015, the Company received loans of £4,000,000, \$500,000 and \$500,000 respectively from F-star Alpha Limited, a related party company, at LIBOR plus 2%. Although these loans are repayable on demand, the company has received a letter of support from the directors of F-star Alpha Limited stating that it is their intention not to recall these loans for repayment for a period of at least twelve months from the date of signing these financial statements unless there are adequate funds in the company to settle liabilities as they fall due for this period of time. Further funding is available to F-star Biotechnology Limited from F-star Alpha Limited, subject to a maximum loan balance of £8,500,000.

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## F-STAR BIOTECHNOLOGY LIMITED

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### DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED

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#### 1. ACCOUNTING POLICIES CONTINUED

##### b. OVERALL CONSIDERATIONS CONTINUED

##### ii. GOING CONCERN CONTINUED

Therefore, the Directors have concluded that the cash currently held by the Company, together with the anticipated receipts for providing services to F-star Beta Limited and short term loan funding if necessary, will provide sufficient resources for the Company to be able to continue in operational existence for at least 12 months from the date of signing of the financial statements. They have therefore concluded that it is appropriate to prepare these financial statements on a going concern basis.

##### iii. NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

Standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to F-star Biotechnology Limited.

##### iv. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE COMPANY

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements, except the following set out below:

International Accounting Standard (IAS/IFRS)		Effective Date
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations. The company is assessing the impact of IFRS 15.

IFRS 16, 'Leases' replaces the current guidance in IAS 17, 'Leasing'. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

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

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## **F-STAR BIOTECHNOLOGY LIMITED**

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### **DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED**

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#### **1. ACCOUNTING POLICIES CONTINUED**

##### **c. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated at cost. Expenditure on repairs and maintenance is charged to the statement of comprehensive income as incurred. Additions and improvements are capitalised. The cost and related accumulated depreciation on property, plant and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reported as current year's income or expense. Depreciation on leasehold improvements commences on inception of the lease.

Depreciation is charged so as to write off the cost of the assets over their estimated useful economic lives, using the straight-line method, on the following basis:

Leasehold property improvements	Over period of the lease
Plant and machinery	20% on cost
Office equipment	33% on cost

##### **d. INTANGIBLE ASSETS**

Intangible assets are stated at cost. Amortisation is charged so as to write off the cost of the assets over their estimated useful economic lives, using the straight-line method, on the following basis:

Software	33% on cost
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##### **e. TRADE AND OTHER RECEIVABLES**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. The Company provides an allowance for uncollectible accounts based upon prior experience and management's assessment of the collectability of existing specific accounts.

##### **f. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprises cash on hand and demand deposits, and other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### **g. IMPAIRMENT OF ASSETS**

At the date of the statement of financial position, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.



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## **F-STAR BIOTECHNOLOGY LIMITED**

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### **DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED**

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#### **1. ACCOUNTING POLICIES CONTINUED**

##### **h. EQUITY AND RESERVES**

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuance of shares are deducted from share premium, net of any related tax benefits.

Retained earnings includes all current year retained profits and accumulated losses.

##### **i. TRADE PAYABLES**

Trade and other payables are stated at cost, which approximates fair value due to the short term nature of these liabilities. 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.

##### **j. LEASING**

Leases are classified as finance or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of the asset is classified as a finance lease. At the inception of a finance lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the fair value at the beginning of the lease. Assets recorded under finance leases are amortised on a straight-line basis over the term of the lease; that is the estimated useful lives of the assets. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

##### **k. REVENUE RECOGNITION**

Revenue on the sale of services is recognised at the time services are provided. Any amounts collected on contracts in advance is recorded as deferred revenue and taken into income as the services are provided. Revenue is measured at the fair value of the consideration received or receivable and is stated net of value added taxes. Revenue is recognised when it is probable that future economic benefits will flow to the Company and those benefits can be measured reliably. Revenue derived from sub-licensing as result of the sale of an asset (e.g. the outright sale or assignment of a licence) is only recognised when, inter alia, the significant risks and rewards of ownership have been transferred to the buyer and the Company does not retain either control of the goods, or continuing involvement, to the degree associated with ownership. Any associated additional revenue from sub-licensing to F-star Alpha Limited or F-star Beta Limited as result of the sale of an asset is recognised on a receipts basis. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

##### **l. TAXATION**

The tax credit or charge represents the sum of the tax currently receivable or payable and deferred tax. The tax currently payable/receivable is based on taxable profit/loss for the year. Taxable profit/loss differs from net profit/loss as reported in the statement of comprehensive income 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 date of the statement of financial position.

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## **F-STAR BIOTECHNOLOGY LIMITED**

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### **DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED**

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#### **1. ACCOUNTING POLICIES CONTINUED**

##### **I. TAXATION CONTINUED**

Research and development expenditure is written off in the year in which it is incurred. Any tax credit receivable under the large company R&D tax scheme is included in other operating income.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the date of the statement of financial position 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. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

##### **m. FINANCIAL INSTRUMENTS**

###### **i. FINANCIAL ASSETS**

All financial assets relate to trade and other receivables, which are stated at their recoverable amount, which approximates the fair value due to the short term nature of these assets.

###### **ii. RISK MANAGEMENT POLICY**

The Company undertakes transactions denominated in foreign currencies and as such is exposed to currency risk due to fluctuations in foreign exchange rates. The Company does not use derivative instruments to reduce exposure to foreign exchange risk.

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## **F-STAR BIOTECHNOLOGY LIMITED**

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### **DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED**

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#### **1. ACCOUNTING POLICIES CONTINUED**

##### **iii. FINANCIAL LIABILITIES**

All financial liabilities consist of trade and other payables which are stated at cost. This approximates fair value due to the short term nature of these liabilities.

##### **n. FOREIGN CURRENCY TRANSLATION**

Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transaction. Resulting foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the balance sheet date. Gains and losses on foreign exchange are recognised in the statement of comprehensive income.

##### **o. POST-EMPLOYMENT BENEFITS**

The Company is a member of a defined contribution pension scheme, of which eligible employees are members. The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

##### **p. SHARE-BASED PAYMENTS**

The Company's parent company operates an equity-settled, share-based compensation plan, under which the Company receives services from employees as consideration for equity instruments (options) of the parent company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, including any market performance conditions and the impact of any non-vesting conditions, but excluding the impact of any service and non-market performance vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

## F-STAR BIOTECHNOLOGY LIMITED

### DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED

#### 2. REVENUE AND OTHER INCOME

Revenue consists of services provided in the UK in respect of the discovery and development of antibody products to improve the treatment of serious illnesses and from sub-licensing intellectual property to related companies.

	2015 £	2014 £
Revenue from services provided	6,745,649	5,871,095
Revenue from sub-licensing	1,001,218	1,272,303
	<u>7,746,867</u>	<u>7,143,398</u>

Other income consists of grant income and support revenue due from the parent company as follows:

	2015 £	2014 £
Service charges to parent company	168,444	155,289
Grant income	-	76,239
Above the line tax credit	12,186	53,730
	<u>180,630</u>	<u>285,258</u>

#### 3a. OTHER GAINS/(LOSSES)

	2015 £	2014 £
Gain/(loss) on exchange differences	<u>14,251</u>	<u>(37,158)</u>

#### 3b. OTHER EXPENSES

	2015 £	2014 £
<b>Expenses include:</b>		
Operating lease rentals - other operating leases	217,462	179,250
Research and development expenditure	240,274	548,040
Depreciation and amortisation	231,823	181,161
<b>Auditors' remuneration</b>		
Fees payable for the audit	<u>13,900</u>	<u>13,520</u>

# F-STAR BIOTECHNOLOGY LIMITED

## DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED

### 4. EMPLOYEE EXPENSE

	2015	2014
	£	£
Wages and salaries	2,443,390	2,275,924
Social security costs	298,449	302,917
Other pension costs	218,855	155,500
Share-based payment expense	335,168	171,905
	<u>3,295,862</u>	<u>2,906,246</u>

Details of Directors' remuneration are shown in note 5

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

	2015	2014
	No.	No.
Full time staff	<u>48</u>	<u>40</u>

### 5. DIRECTORS' REMUNERATION

	2015	2014
	£	£
Aggregate emoluments	484,797	419,331
Company pension contributions to money purchase pension schemes	30,015	29,071
	<u>514,812</u>	<u>448,402</u>

During the year retirement benefits were accruing to 2 (2014: 2) directors in respect of money purchase pension schemes.

All directors hold options over shares in f-star Biotechnologische Forschungs-und Entwicklungsges.m.b.H., the parent undertaking. No directors exercised share options in the year (2014: Nil).

The highest paid director received the following remuneration:

	2015	2014
	£	£
Aggregate emoluments	303,209	264,130
Company pension contributions to money purchase pension schemes	18,535	17,951
	<u>321,744</u>	<u>282,081</u>

### 6. FINANCE COSTS

	2015	2014
	£	£
Interest expense	7,928	7,057
Interest payable on loan from related party	134,422	-
	<u>142,350</u>	<u>7,057</u>

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**F-STAR BIOTECHNOLOGY LIMITED**

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**DETAILED FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED**

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**7. INVESTMENT INCOME**

	2015 £	2014 £
Other interest income	212	144
Interest receivable on intercompany loan	11,035	-
	<u>11,247</u>	<u>144</u>

**8. CORPORATE TAX**

	2015 £	2014 £
Corporate tax charge – current year	2,467	29
Corporate tax – recognised in current tax in respect of prior years	17,624	(6,010)
Total corporate tax charge/(credit)	<u>20,091</u>	<u>(5,981)</u>

**Factors Affecting Tax Charge for the Year**

The expected tax charge for the year based on the average UK tax rate for the year of 20.25% and the reported tax credit for the year can be reconciled as shown below:

	2015 £	2014 £
(Loss)/profit before tax	<u>(797,161)</u>	<u>825,741</u>

(Loss)/profit multiplied by the average rate of corporation tax in the UK for the year of 20.25% (2014: 21.5%)

(161,425)	177,534
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**EFFECTS OF:**

Accelerated capital allowances	(90,617)	311
Expenses not deductible for tax purposes	12,533	22,444
Additional deduction for research and development expenditure	(42,981)	(11,552)
Carried forward losses/(utilisation of brought forward losses)	214,617	(237,451)
Share-based payments	67,872	36,960
Research and development tax credit	2,468	11,783
Adjustment in respect of prior years	17,624	(6,010)
<b>Actual tax charge/(credit) for the year</b>	<u>20,091</u>	<u>(5,981)</u>

# F-STAR BIOTECHNOLOGY LIMITED

## DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED

### 8. CORPORATE TAX CONTINUED

No deferred tax asset has been recognised due to the current uncertainty of future taxable profits. The asset will be recognised when sufficient taxable profits are generated to relieve the losses, depreciation and capital allowances equalise and other temporary differences reverse. The amounts not recognised were as follows:

	2015 £	2014 £
Unused tax losses	910,274	799,448
Share-based payments	156,082	106,390
Other temporary differences	64	3,313
Accelerated capital allowances	(163,117)	(91,743)
<b>Deferred tax asset</b>	<b>903,302</b>	<b>817,408</b>

### 9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property improvements £	Plant and machinery £	Office equipment £	Total £
<b>Cost</b>				
At 1 January 2015	7,258	773,376	89,693	870,327
Additions	93,532	593,088	20,614	707,234
Disposals	-	(45,000)	(43,920)	(88,920)
<b>At 31 December 2015</b>	<b>100,790</b>	<b>1,321,464</b>	<b>66,387</b>	<b>1,488,641</b>
<b>Accumulated depreciation</b>				
At 1 January 2015	7,258	295,994	75,361	378,613
Depreciation	-	218,070	13,498	231,568
Disposals	-	(26,406)	(41,812)	(68,218)
<b>At 31 December 2015</b>	<b>7,258</b>	<b>487,658</b>	<b>47,047</b>	<b>541,963</b>
<b>Net book value</b>				
<b>At 31 December 2015</b>	<b>93,532</b>	<b>833,806</b>	<b>19,340</b>	<b>946,678</b>
<b>At 31 December 2014</b>	<b>-</b>	<b>477,382</b>	<b>14,332</b>	<b>491,714</b>

**F-STAR BIOTECHNOLOGY LIMITED**

**DETAILED FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED**

**9. PROPERTY, PLANT AND EQUIPMENT CONTINUED**

	Leasehold property improvements £	Plant and machinery £	Office equipment £	Total £
<b>Cost</b>				
At 1 January 2014	7,258	502,328	89,693	599,279
Additions	-	271,048	-	271,048
<b>At 31 December 2014</b>	<b>7,258</b>	<b>773,376</b>	<b>89,693</b>	<b>870,327</b>
<b>Accumulated depreciation</b>				
At 1 January 2014	5,813	149,989	42,851	198,653
Depreciation	1,445	146,005	32,510	179,960
<b>At 31 December 2014</b>	<b>7,258</b>	<b>295,994</b>	<b>75,361</b>	<b>378,613</b>
<b>Net book value</b>				
<b>At 31 December 2014</b>	<b>-</b>	<b>477,382</b>	<b>14,332</b>	<b>491,714</b>
<b>At 31 December 2013</b>	<b>1,445</b>	<b>352,339</b>	<b>46,842</b>	<b>400,626</b>

**10. INTANGIBLE ASSETS**

	Software £
<b>Cost</b>	
At 1 January 2015 and 31 December 2015	<u>4,018</u>
<b>Accumulated amortisation</b>	
At 1 January 2015	3,763
Amortisation charge	<u>255</u>
<b>At 31 December 2015</b>	<u><b>4,018</b></u>
<b>Net book value</b>	
At 31 December 2015	<u>-</u>
At 31 December 2014	<u>255</u>



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**F-STAR BIOTECHNOLOGY LIMITED**

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**DETAILED FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED**

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**11. TRADE AND OTHER RECEIVABLES**

	2015 £	2014 £
<b>DUE WITHIN ONE YEAR</b>		
Trade receivables	-	65,168
Loans due from group undertakings	1,480,142	-
Amounts due from related parties	2,924,264	1,443,729
Prepayments and accrued income	309,524	394,801
Other receivables	69,252	108,505
<b>Total</b>	<b>4,783,182</b>	<b>2,012,203</b>

The net carrying value of trade and other receivables is considered to be a reasonable approximation of their fair value. There is no provision for the impairment of trade receivables (2014: £nil). The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables above. The Company does not hold any collateral as security.

The loan due from group undertakings is repayable on demand. Interest is settled quarterly in arrears at a rate of LIBOR plus 2%.

The carrying amount of the Company's trade and other receivables is denominated in the following currencies:

	2015 £	2014 £
UK Pounds	3,293,518	1,947,036
Euros	1,480,142	65,167
US Dollars	9,522	-
	<b>4,783,182</b>	<b>2,012,203</b>

**12. CASH AND CASH EQUIVALENTS**

	2015 £	2014 £
Cash at bank and in hand	1,272,141	240,808

Cash and cash equivalents comprise cash held by the Company. The carrying value of these assets approximates their fair value.

## F-STAR BIOTECHNOLOGY LIMITED

### DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED

#### 13. TRADE AND OTHER PAYABLES

	2015	2014
	£	£
Trade payables	546,301	966,897
Amounts due to group undertakings	631,338	119,244
Tax and social security costs	320,435	496,854
Other payables	354	16,565
Accruals and deferred income	328,511	702,363
<b>Total</b>	<b><u>1,826,939</u></b>	<b><u>2,301,923</u></b>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Normal credit terms for most suppliers are 30 days and the company tries to adhere to these terms where possible. No interest is charged on trade payables.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

The carrying amount of the Company's trade and other payables and loans from group companies (see note 14) is denominated in the following currencies:

	2015	2014
	£	£
UK Pounds	1,152,368	1,860,494
Euros	634,536	127,474
US Dollars	40,035	313,955
<b>Total</b>	<b><u>1,826,939</u></b>	<b><u>2,301,923</u></b>

#### 14. LOANS FROM RELATED PARTIES

This note provides information about the contractual terms of the Company's loans and borrowings. For more information about the Company's exposure to interest rate and currency risks, refer to note 15 concerning financial risk management.

	2015	2014
	£	£
<b>Current liabilities</b>		
Loans from F-star Alpha Limited	<b><u>4,714,275</u></b>	<b><u>-</u></b>

The Directors considered there to be no material difference between the book value of borrowings and their fair value at the date of statement of financial position.

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## F-STAR BIOTECHNOLOGY LIMITED

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### DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED

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#### 15. FINANCIAL RISK MANAGEMENT

##### a. Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its short-term obligations associated with financial liabilities.

Liquidity needs are monitored by the Company to ensure it has sufficient funds to meet its liabilities when due, under normal and unexpected conditions, without incurring unacceptable losses. The Company is dependent upon receiving payments for services that it provides to a related party company, F-star Beta Limited. These include payments for employees carrying out research and ancillary administrative services. To the extent that these payments are insufficient to fund operations, short term loan funding has been made available (at LIBOR plus 2%) to the Company from F-star Alpha Limited, a related Company.

##### b. Interest Rate Risk and Sensitivity

Interest rate risk is the risk that changes in market interest rates will cause fluctuations to the fair values and cash flows of the Company's financial instrument holdings.

The Company was exposed to changes in market interest rates through its bank deposits and loan from related parties which are subject to variable interest rates. All other financial assets and liabilities have fixed rates.

The following table illustrates the sensitivity of the net result for the year and the equity to a reasonably possible change in interest rates of +1%, with effect from the beginning of the period. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Company's financial instruments held at the balance sheet date. All other variables are held constant.

	2015	2014
	£	£
	+1%	+1%
Net result for the year	(41,179)	-
Equity	(41,179)	-

##### c. Currency Risk

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values of the Company's financial instrument holdings that are denominated in a currency other than the functional currency in which they are measured. Since the Company's exposure to these risks is minimal, the Company does not hedge anticipated cash flows.

##### d. Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty fails to meet its obligation. Credit risk arises from the Company's operating activities from trade and other receivables, financing activities from cash and cash equivalents and deposits with banks and financial institutions.

Credit risk from trade and other receivables is minimised by establishing credit policies such as determining and monitoring customer credit limits, requiring credit approvals, and the monitoring of customer credit risks by grouping customers according to their credit characteristics. Other monitoring procedures are in place to recover overdue customer accounts and to assess impairment.

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**F-STAR BIOTECHNOLOGY LIMITED**

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**DETAILED FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED**

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**15. FINANCIAL RISK MANAGEMENT CONTINUED****d. Credit Risk CONTINUED**

Credit risk from financing activities is minimised by establishing investment policies in liquid securities with high credit ratings and maintaining accounts in reputable financial institutions with high quality credit ratings. All cash held by the Company is with financial institutions with a credit rating of F1+ or AA- according to Fitch's short term and long term credit ratings.

**e. Capital Risk**

The Company considers its equity and loans from group companies to be its capital. Its objective is to manage this such that the Company has sufficient capital to remain liquid and to fund its activities and product development. There are no externally imposed capital requirements.

**16. FINANCIAL INSTRUMENTS****a. Maturity of financial liabilities**

The maturity profile of the Company's financial liabilities at 31 December 2015 were as follows:

	2015 £	2014 £
<b>Amounts repayable:</b>		
In one year or less	5,909,876	2,042,172
No contractual repayment date	631,338	119,244
	<u>6,541,214</u>	<u>2,161,416</u>

**b. Fair values**

The Directors consider there to be no material difference between the book value of financial instruments and their fair value at the balance sheet date.

**c. Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

<b>Assets as per balance sheet</b>	2015 <b>Loans and receivables</b> £	2014 <b>Loans and receivables</b> £
Cash and cash equivalents	1,272,141	240,808
Trade and other receivables excluding prepayments	4,473,658	1,617,402
	<u>5,745,799</u>	<u>1,858,210</u>

## F-STAR BIOTECHNOLOGY LIMITED

### DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED

#### 16. FINANCIAL INSTRUMENTS CONTINUED

Liabilities as per balance sheet	2015 Financial liabilities at amortised cost £	2014 Financial liabilities at amortised cost £
Loans from group companies	4,714,275	-
Other financial liabilities (excluding tax and deferred income)	1,826,939	2,161,416
	<u>6,541,214</u>	<u>2,161,416</u>

#### 17. SHARE CAPITAL - ORDINARY

The Company's articles do not specify the authorised share capital of the entity.

	2015 £	2014 £
<b>ALLOTTED ISSUED AND FULLY PAID</b>		
2,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

All ordinary shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Certain restrictions are placed upon the ordinary shares by a corporate governance agreement dated 20 September 2012 such that the declaration and payment of dividends by the Company and any liquidation, winding up, merger, demerger, redemptions or repurchasing of existing shares (other than repurchases of shares or options to purchase shares from former employees or consultants pursuant to the provisions of existing plans or arrangements) requires prior approval of a simple majority of the shareholders of the parent company, including not less than 55% of the votes of the parent company's shareholders Atlas Venture Fund VII LP, Cooperatieve AESCAP Venture I UA, Novo A/A, TVM Life Science Ventures VI GmbH & Co KG, TVM Life Science Ventures VI LP, MP Healthcare Venture Management Inc, Merck Holding GmbH and SR One Ltd.

#### 18. POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Company is a member of a defined contribution scheme for the benefit of eligible employees. The assets of the scheme are administered by the trustees in funds independent from those of the member companies. The pension charge represents amounts payable by the Company and amounted to £218,856 (2014: £155,500). Contributions of £nil (2014: £16,565) were outstanding as at the balance sheet date.

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**F-STAR BIOTECHNOLOGY LIMITED**

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**DETAILED FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED**

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**19. SHARE-BASED PAYMENTS**

Employees of the Company are included in the Employee Share Option Plan (ESOP) of the parent company which commenced on 6 September 2007. Options were granted with a €nil (2014: €Nil) exercise price. The options do not expire. Thirty-eight employees are currently eligible to participate in the ESOP. There are no reload features. Employees of the Company have had share options granted by the parent company since 1 April 2008. Options granted under the ESOP vest over a period of four years from the date of grant, but are only exercisable upon an exit. Options were valued using the Black-Scholes option-pricing model, adjusted for the probability of an exit. No performance conditions were included in the fair value calculations. Share-based payment expenses are allocated to the Company from the date at which the employees were transferred from the parent company on 1 October 2012. All share-based payments are equity-settled.

42,298 of the share options currently outstanding were granted to employees of the Company prior to the transfer of those employees from the parent company on 1 October 2012.

The following share-based payment arrangements were in existence during the current and prior years:

<b>Option Series</b>	<b>Number</b>	<b>Expiry date</b>	<b>Exercise price</b>
1 October 2012 - Options previously granted to employees transferred from parent company	42,298	n/a	€Nil
Options granted in 2013	3,550	n/a	€Nil
Options granted in 2015	14,282	n/a	€Nil

A reconciliation of option movements over the year to 31 December 2015 is shown below:

	<b>2015 Number</b>	<b>2015 Weighted average exercise price</b>	<b>2014 Number</b>	<b>2014 Weighted average exercise price</b>
Outstanding at 1 January	45,848	€Nil	45,848	€Nil
Options granted	14,282	€Nil	-	-
Outstanding at 31 December	60,130	€Nil	45,848	€Nil
Exercisable at 31 December	-	€Nil	-	€Nil

For share options outstanding at 31 December 2015, the weighted average exercise price was €nil. The share options do not expire. No share options were exercised during the year. The total charge for the year relating to employee share based payment plans was £335,168 (2014: £171,905), all of which related to equity-settled share-based payment transactions.

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## F-STAR BIOTECHNOLOGY LIMITED

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### DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED

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#### 20. OPERATING LEASE COMMITMENTS

At 31 December 2015, the Company had total minimum commitments under non-cancellable operating lease rentals:

	2015 £	2014 £
Not later than one year	12,734	179,250
Later than one year and not later than five years	-	179,250
<b>Total</b>	<b>12,734</b>	<b>358,500</b>

On 22 January 2016, the Company entered into a new five lease agreement with Babraham Bioscience Technologies Limited to occupy Building B920 (Eddeva) on Babraham Research Campus, Cambridge, CB22 3AT. The lease agreement allows for a break after three years with the Company committed to a minimum commitment of £1,208,421 over this three year period.

#### 21. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of f-star Biotechnologische Forschungs-und Entwicklungsges.m.b.H. Transactions in the year to 31 December 2015 with the parent company together with the balance outstanding at 31 December 2015 were as follows:

	2015 £	2014 £
Income and recharges	196,769	186,483
Amounts payable for sub-licensing intellectual property	808,337	494,635
Balance payable	631,338	119,244

The above payable balance relates to trade payables between the company and its parent f-star Biotechnologische Forschungs-und Entwicklungsges.m.b.H.

During the year ended 31 December 2015, F-star Biotechnology Limited loaned f-star Biotechnologische Forschungs-und Entwicklungsges.m.b.H €2,000,000, which is repayable on demand. The outstanding amount receivable at year end was £1,480,142. Interest is settled quarterly in arrears at a rate of LIBOR plus 2%.

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## F-STAR BIOTECHNOLOGY LIMITED

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### DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED

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#### 21. RELATED PARTY TRANSACTIONS CONTINUED

J Haurum and the members of the supervisory board of f-star Biotechnologische Forschungs-und Entwicklungsges.m.b.H., the Company's parent, are also directors of F-star Alpha Limited. Transactions in the year to 31 December 2015 with F-star Alpha Limited together with the balance outstanding at 31 December 2015 were as follows:

	2015 £	2014 £
Income	-	3,142,045
Recharge of outsourcing costs incurred on behalf of F-star Alpha Limited	221,945	3,154,796
Share of third party income due under IP Licence Agreement	-	1,272,303
Balance (payable) / receivable as at 31 December	<u>(4,714,275)</u>	<u>139,832</u>

During the year ended 31 December 2015, F-star Alpha Limited loaned F-star Biotechnology Limited £4,000,000 and \$1,000,000. The loan agreement is subject to a maximum loan value of £8,500,000. Interest is settled quarterly in arrears at a rate of LIBOR plus 2%.

None of the above transactions are subject to any guarantees or security and will be settled in cash. There are no further related party transactions with F-star Alpha Limited.

J Haurum and the members of the supervisory board of F-star Biotechnologische Forschungs-und Entwicklungsges.m.b.H., the Company's parent, are also directors of F-star Beta Limited. During the previous year the Company entered into an Intellectual Property Licence Agreement and a Support Services Agreement whereby the Company licensed Intellectual Property to F-star Beta Limited and the Company agreed to provide R&D and support services to F-star Beta Limited. Transactions in the year to 31 December 2015 with F-star Beta Limited together with the balance outstanding at 31 December 2015 were as follows:

	2015 £	2014 £
Income	7,187,210	972,102
Recharge of outsourcing costs incurred on behalf of F-star Beta Limited	391,159	127,023
Amounts due from related parties	<u>2,924,264</u>	<u>1,303,896</u>

None of the above transactions are subject to any guarantees or security and will be settled in cash. There are no further related party transactions.

Key management are considered to be the directors of the Company. Details of directors' remuneration are given in note 5.



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## **F-STAR BIOTECHNOLOGY LIMITED**

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### **DETAILED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED**

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#### **21. RELATED PARTY TRANSACTIONS CONTINUED**

##### **Immediate and Ultimate Parent Company**

The immediate and ultimate parent undertaking and ultimate controlling party is f-star Biotechnologische Forschungs-und Entwicklungsges.m.b.H., a company registered in Austria.

f-star Biotechnologische Forschungs-und Entwicklungsges.m.b.H is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2015. The consolidated financial statements of f-star Biotechnologische Forschungs-und Entwicklungsges.m.b.H are available from Schwarzenbergplatz 7, A-1030, Vienna, Austria.

#### **22. STRUCTURED ENTITIES**

F-star Alpha Limited and F-star Beta Limited are considered to be structured entities. These companies were established with the specific purpose of licensing Intellectual Property ('IP') to facilitate future funding of projects. J Haurum and certain members of the supervisory board of f-star Biotechnologische Forschungs-und Entwicklungsges.m.b.H., the Company's parent, are Directors of the Company, F-star Alpha Limited and F-star Beta Limited. F-star Alpha Limited was funded initially through new equity-funding. F-star Beta Limited is currently funded through the sub-licensing of IP to third parties and through potential future loans from the Company.

During the year, the Company has provided support services to F-star Beta Limited. The Company also provided R&D services to F-star Beta Limited throughout 2015 at commercial rates, and this is expected to continue in 2016.

Transactions during the year, and carrying amounts of the assets and liabilities, recognised in these financial statements relating to F-star Alpha and F-star Beta are disclosed in Note 21.

The maximum loss to exposure from interests in structured entities is estimated to be approximately £11m in 2016. This has been determined by calculating the revenue that F-star Biotechnology Limited is forecast to generate from the provision of support services and licencing income to F-star Beta Limited.