

**CANTAB ANTI-INFECTIVES LIMITED**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

TUESDAY



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## **CANTAB ANTI-INFECTIVES LIMITED**

### **CORPORATE INFORMATION**

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#### **Directors**

John Mayo (resigned on 29 May 2017)  
Michael Dawson  
Michael Earl  
Richard Wolf-Garraway

#### **Company secretary**

Throgmorton Secretaries LLP

#### **Registered Office and Number**

4th Floor, Reading Bridge House  
George Street  
Reading  
Berkshire RG1 8LS

Company Registration Number: 08217622

#### **Independent Auditor**

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2A 1AG

# **CANTAB ANTI-INFECTIVES LIMITED**

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## **CANTAB ANTI-INFECTIVES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present their report for the year ended 31 December 2016.

#### **Directors of the company**

The directors who served during the year and up until the date of this report are shown on page 2.

#### **Result**

The profit after tax of the company for 2016 was £49,908 (2015: loss £ 1,269)

#### **Dividends**

The directors do not recommend any dividend for the year (2015: £ nil).

#### **Research and development**

During 2016 the group employed 8 staff in its research and development activities. During this period the company invested £1.4 million in research and development activities to develop anti-infective products.

On 6 June 2016 Pro Bono Bio PLC group entered into definitive arrangements with Spero, a US pharmaceutical company that specialises in the development of anti-infective molecules, to transfer Pro Bono Bio PLC group's gram negative intellectual property in this field in exchange for payments of deferred consideration and royalty payments conditional upon certain predefined events, including the successful development of products by Spero. As part of this arrangement the company will continue to provide development services in the anti-infective field under contract to Spero for a transitional period of at least 6 months.

#### **Future developments**

Following the termination of the development services agreement with Spero it is expected that the company will cease its development activities.

#### **Events since the balance sheet date**

In July 2017, the company received notification from Spero Therapeutics LLC that the development services agreement between Cantab Anti-Infectives and Spero Cantab Inc would not be renewed and would terminate on 5 November 2017.

As a result of the service agreement termination on 5 August the company has written to its employees notifying them of termination of employment. Notification to terminate the lease of the company premises has also been given.

#### **Financial instruments**

The company did not use derivative financial instruments during the year.

#### **Going Concern**

The company is loss making before tax in 2016 and has been dependent on the support of its ultimate parent company, Pro Bono Bio PLC for funding.

The Directors of Pro Bono Bio PLC have identified the funding needed for the next 12 months, which they plan to obtain from borrowings or by issuing equity or other securities to current or new investors or from the sale of assets or the receipts from sale of product distribution rights. Should these plans not result in the required cash and existing investors are unwilling to continue to provide support, the business may not be able to continue as a going concern. In particular, Pro Bono Bio PLC may not be able to make an interest payment due on 23 December 2017 pursuant to a loan agreement with its largest shareholder unless the interest payment date is deferred or Pro Bono Bio PLC receives additional funding. These conditions indicate the

## **CANTAB ANTI-INFECTIVES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

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existence of a material uncertainty that may cast doubt about the parent and hence the company's ability to continue as a going concern.

The Directors reasonably expect that the ultimate parent will be successful in raising the required debt or equity funding and therefore should have adequate resources to support the company for at least the next 12 months after the date of authorisation of these financial statements. Accordingly the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

#### **Directors' liabilities**

The company has granted an indemnity to each of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying indemnity provision remains in force as at the date of approving the Directors' report.

#### **Political donations**

The company has not made any political donations during the year.

#### **Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Should existing employees become disabled, it is the company's policy to provide continuing employment wherever affordable and practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

#### **Employee involvement**

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. All employees are encouraged to present their suggestions and views on the group's performance. Periodic meetings are held between management and employees to allow a free flow of information and ideas.

#### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor is Grant Thornton UK LLP.

#### **Disclosure of information to the auditor**

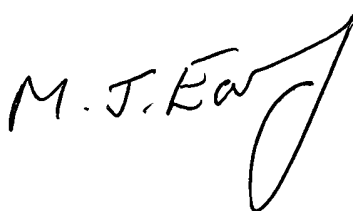
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **Small companies exemptions**

In preparing this report the directors have taken advantage of the small companies exemptions provided by sections 414B and 415A of the Companies Act 2006.

**On behalf of the board of directors**

**Michael Earl**  
**Director**  
**17 October 2017**



## **CANTAB ANTI-INFECTIVES LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **CANTAB ANTI-INFECTIVES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANTAB ANTI-INFECTIVES LIMITED**

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We have audited the financial statements of Cantab Anti-infectives Limited for the year ended 31 December 2016 which comprise the statements of financial position, the statements of total comprehensive income, and the statements of changes in equity and the related notes. The financial reporting framework that has been applied is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.


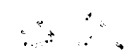

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the company's affairs as at 31 December 2016 and of the profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## **CANTAB ANTI-INFECTIVES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANTAB ANTI-INFECTIVES LIMITED**

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#### **Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a loss before tax of £144,058 during the year ended 31 December 2016 and, at that date, the company had net current assets of £46,348. The company is reliant on financial support from related group companies. Based on management's forecasts for the group, the group will need to obtain additional financing through borrowings to fund the company's operations for the next 12 months. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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

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

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

#### **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

#### **Matters on which we are required to report by exception**

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

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



**Perry Burton**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
**London**  
17 October 2017



**CANTAB ANTI-INFECTIVES LIMITED**
**STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016**

		Year ended 31 Dec 2016 £	Year ended 31 Dec 2015 £
	Note		
Revenues		384,228	664,902
Other income		941,098	833,845
Total revenue and other income	2	1,325,326	1,498,747
Research and development costs		(1,390,827)	(1,514,956)
<b>Gross (loss)</b>		<b>(65,501)</b>	<b>(16,209)</b>
General and administrative costs		(5,555)	(55,750)
Depreciation and amortisation	7	(9,137)	(15,184)
Total expenses		(14,692)	(70,934)
<b>Operating (loss)</b>		<b>(80,193)</b>	<b>(87,143)</b>
Finance costs	5	(63,865)	(2,534)
Loss before income tax		(144,058)	(89,677)
Income tax credit	6	193,966	88,408
<b>Profit/(Loss) for the financial year</b>		<b>49,908</b>	<b>(1,269)</b>
		<b>Year ended 31 Dec 2016 £</b>	<b>Year ended 31 Dec 2015 £</b>
<b>Profit/(Loss) for the financial year</b>		<b>49,908</b>	<b>(1,269)</b>
<b>Total comprehensive income for the year</b>		<b>49,908</b>	<b>(1,269)</b>

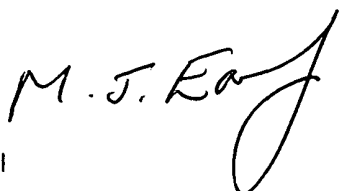
The notes on pages 12 to 23 are an integral part of these financial statements.

**CANTAB ANTI-INFECTIVES LIMITED****STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

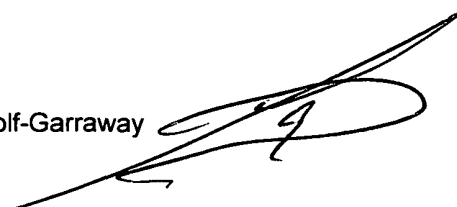
	Note	2016 £	2015 £
<b>Non-current assets</b>			
Property, plant and equipment	7	<u>1,458</u>	<u>10,595</u>
<b>Current assets</b>			
Trade and other receivables	8	587,733	181,279
Corporate tax		110,822	-
Cash and cash equivalents		<u>53,763</u>	<u>363,355</u>
Total current assets		<u>752,318</u>	<u>544,634</u>
<b>Total assets</b>		<u>753,776</u>	<u>555,229</u>
<b>Current liabilities</b>			
Trade and other payables	9	<u>705,970</u>	<u>557,331</u>
		<u>705,970</u>	<u>557,331</u>
<b>Total liabilities</b>		<u>705,970</u>	<u>557,331</u>
<b>Equity attributable to owners of the parent</b>			
Share capital and share premium	10	100	100
Retained earnings		<u>47,706</u>	<u>(2,202)</u>
<b>Total equity</b>		<u>47,806</u>	<u>(2,102)</u>
<b>Total equity and liabilities</b>		<u>753,776</u>	<u>555,229</u>

The financial statements of Cantab Anti-Infectives Limited (registration number 08217622) on pages 9 to 23 were authorised for issue by the board of directors on 17 October 2017 and were signed on its behalf.

Michael Earl  
Director



Richard Wolf-Garraway  
Director



The notes on pages 12 to 23 are an integral part of these financial statements.

**CANTAB ANTI-INFECTIVES LIMITED****STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016**

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	Note	Share capital £	Accumulated losses £	Total equity £
Balance at 1 January 2015		100	(933)	(833)
Loss for the financial year		-	(1,269)	(1,269)
Total comprehensive income for the year		-	(1,269)	(1,269)
Balance at 31 December 2015		100	(2,202)	(2,102)
Balance at 1 January 2016		100	(2,202)	(2,102)
Profit for the financial year		-	49,908	49,908
Total comprehensive income for the year		-	49,908	49,908
Balance at 31 December 2016		100	47,706	47,806

The notes on pages 12 to 23 are an integral part of these financial statements.

## **CANTAB ANTI-INFECTIVES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **INTRODUCTION**

Cantab Anti-Infectives Limited (the "company") is principally engaged in the business of research and development of antibiotics for bacterial infection. The company is a limited liability company incorporated on 17 September 2012 and is domiciled in the United Kingdom.

#### **1. Going concern**

The company is was loss making before tax in 2016 and has been dependent on the support of its ultimate parent company, Pro Bono Bio PLC for funding.

The Directors of Pro Bono Bio PLC have identified the funding needed for the next 12 months, which they plan to obtain from borrowings or by issuing equity to current or new investors or from the sale of assets or the receipts from the sale of product distribution rights. Should these plans not result in the required cash and existing investors are unwilling to continue to provide support, the business may not be able to continue as a going concern. In particular, Pro Bono Bio PLC may not be able to make an interest payment due on 23 December 2017 pursuant to a loan agreement with its largest shareholder unless the interest payment date is deferred or Pro Bono Bio PLC receives additional funding. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the parent and hence the company's ability to continue as a going concern.

The Directors reasonably expect that the ultimate parent will be successful in raising the required debt or equity funding and therefore should have adequate resources to support the company for at least the next 12 months after the date of authorisation of these financial statements. Accordingly the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

#### **ANALYSIS OF FIGURES IN THE FINANCIAL STATEMENTS**

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

- accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction;
- analysis and sub-totals, including segment information; and
- information about estimates and judgements made in relation to particular items.

**CANTAB ANTI-INFECTIVES LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****2. Revenues**

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
	£	£
<b>Sales</b>	384,228	664,902
<b>Other Income</b>		
TSB research grant	-	593,170
NIAID grant	941,098	240,675
	<u>941,098</u>	<u>833,845</u>
<b>Total Revenue</b>	<u><u>1,325,326</u></u>	<u><u>1,498,747</u></u>

Revenues of approximately £1.3 million (2015: £ 1.5 million) are derived from a combination of research grants and research and development services provided to third parties and to affiliated companies within the Pro Bono Bio group.

**3. General and administrative costs**

General and administrative costs include an amount accrued of £5,000 for auditor's remuneration for the 2016 audit of the company (2015 - £5,000).

**4. Employee benefits**

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
	£	£
Wages and salaries	501,085	541,360
Social security costs	60,157	62,906
	<u>561,241</u>	<u>604,266</u>

The average number of personnel employed during the financial year was 8 (as at 31 December 2015: 9).

Remuneration paid by Cantab Anti-Infectives Limited to directors of the company is set out below. Directors who are also directors of the ultimate parent company Pro Bono Bio PLC did receive remuneration and that is presented at group level and in the accounts of the company that made the payments.

**Directors remuneration**

	2016	2015
	£	£
Aggregate remuneration	144,875	135,000
	<u>144,875</u>	<u>135,000</u>

**CANTAB ANTI-INFECTIVES LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****5. Finance income and costs**

	<b>Year ended 31 Dec 2016</b>	<b>Year ended 31 Dec 2015</b>
	<b>£</b>	<b>£</b>
Foreign currency result	10,031	(18)
Other finance/bank charges	(73,896)	(2,516)
<b>Finance costs</b>	<b>(63,865)</b>	<b>(2,534)</b>
<b>Net finance (costs)</b>	<b>(63,865)</b>	<b>(2,534)</b>

**6. Income tax expense**

	<b>Year ended 31 Dec 2016</b>	<b>Year ended 31 Dec 2015</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
R&D Tax Credit 2016	(110,822)	-
R&D tax credit adjustment in respect of prior year	(83,144)	(88,408)
<b>Total current tax</b>	<b>(193,966)</b>	<b>(88,408)</b>
<b>Deferred tax (credit)</b>	<b>-</b>	<b>-</b>
<b>Income tax (credit)</b>	<b>(193,966)</b>	<b>(88,408)</b>

The company has estimated losses of £ 219,117 (2015 - £219,117) available for carry forward against future trading profits.

	<b>Year ended 31 Dec 2016</b>	<b>Year ended 31 Dec 2015</b>
	<b>£</b>	<b>£</b>
<b>Reconciliation of tax expense</b>		
Profit/(loss) before tax	49,908	(1,269)
Tax calculated at standard rate of UK corporation tax of 20% (2015: 20%)	9,982	(254)
Tax effects of:		
Permenant timing difference	(193,966)	(88,408)
Unrelieved tax losses (utilised)/carried forward	(9,982)	254
<b>Tax credit</b>	<b>(193,966)</b>	<b>(88,408)</b>

**CANTAB ANTI-INFECTIVES LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****7. Property, plant and equipment**

	Plant and machinery £	Fixtures, fittings and equipment £	Total £
<b>At 31 December 2014</b>			
Cost or valuation	1,650	54,749	56,399
Accumulated depreciation	(1,650)	(30,468)	(32,118)
Net book amount	-	24,281	24,281
<b>Year ended 31 December 2015</b>			
Opening net book amount	-	24,281	24,281
Additions/movements	-	1,498	1,498
Depreciation charge	-	(15,184)	(15,184)
Closing net book amount	-	10,595	10,595
<b>At 31 December 2015</b>			
Cost or valuation	1,650	56,247	57,897
Accumulated depreciation	(1,650)	(45,652)	(47,302)
Net book amount	-	10,595	10,595
<b>Year ended 31 December 2016</b>			
Opening net book amount	-	10,595	10,595
Additions/movements	-	-	-
Depreciation charge	-	(9,137)	(9,137)
Closing net book amount	-	1,458	1,458
<b>At 31 December 2016</b>			
Cost or valuation	1,650	56,247	57,897
Accumulated depreciation and impairment	(1,650)	(54,789)	(56,439)
Net book amount	-	1,458	1,458

**CANTAB ANTI-INFECTIVES LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****8. Trade and other receivables**

	2016 £	2015 £
Trade receivables	212,111	158,875
Other Receivables	100	100
Prepaid Expense	10,653	22,304
Social security and other taxes	27,440	512
Amounts owed by group undertakings	337,429	-
	<u>587,733</u>	<u>181,791</u>

In 2016 the company made a provision against non-performing receivables of £70,945 (2015: £ nil).

**9. Trade and other payables**

	2016 £	2015 £
Trade payables	194,881	142,227
Amounts owed to group undertakings	-	152,007
Accrued expenses and other payables	511,089	263,609
	<u>705,970</u>	<u>557,843</u>

**10. Share capital and share premium**

	Number of ordinary shares	Share capital £	Total £
At 31 December 2014, 2015, and 2016	<u>100</u>	<u>100</u>	<u>100</u>



## CANTAB ANTI-INFECTIVES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 11. Critical accounting judgements and estimates

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### 11.1 Critical judgements in applying the entities' accounting policies

The financial statements have been prepared on a going concern basis as stated in note 1.

##### 11.2 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not yet satisfy the recognition criteria.

#### 12. Commitments

##### a) Capital commitments

At 31 December 2016 the Company had no outstanding capital commitments.

##### b) Operating lease commitments

Rental and operating lease payments were £121,533 for the year ended 31 December 2016 (2015 £121,533).

The Company leases offices under a non-cancellable operating lease agreement. At the balance sheet date, the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2016	2015
	£	£
Within one year	30,383	121,533
In the second to fifth years inclusive	-	30,383
	<u>30,383</u>	<u>151,916</u>

#### 13. Contingent Liabilities

As at 31 December 2016 the company had no material contingent liabilities (2015: £ nil)

## **CANTAB ANTI-INFECTIVES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **14. Events after the reporting period**

In July 2017, the company received notification from Spero Therapeutics LLC that the development services agreement between Cantab Anti-Infectives and Spero Cantab Inc would not be renewed and would terminate on 5 November 2017.

As a result of the service agreement termination on 5 August the company has written to its employees notifying them of termination of employment. Notification to terminate the lease of the company premises has also been given.

#### **OTHER INFORMATION**

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

#### **15. Related party transactions**

During the year the company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

The following transactions were carried out with parties related to Pro Bono Bio PLC and its subsidiaries.

	<b>Sales to related party</b>	<b>Amounts owed by related party</b>	<b>amounts owed to related party</b>
	<b>£</b>	<b>£</b>	<b>£</b>
2015	62,630	-	(20)
2016	3,583	1,896	-

#### **16. Ultimate Group undertaking**

The Company's immediate parent is PBB (Malta) Ltd and the ultimate parent undertaking is Pro Bono Bio PLC. The company is included within the consolidated accounts of its ultimate parent which are publicly available. Copies of the consolidated financial statements of Pro Bono Bio PLC are available at 4<sup>th</sup> Floor Reading Bridge House, George Street, Reading RG1 8LS.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**17. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**17.1 Basis of preparation of the financial statements**

The financial statements of Cantab Anti-Infectives Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 11.

The comparatives relate to the year ending on 31 December 2015. All amounts are in sterling unless stated otherwise.

The company's financial statements are included in the Pro Bono Bio PLC consolidated financial statements for the year ended 31 December 2016. The company is exempt, under Section 400 of the Companies Act 2006, from the preparation of consolidated financial statements because it is included in the Annual Report and Financial of its ultimate parent. These financial statements are separate financial statements.

**Adoption of new and revised standards**

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows);
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.

## CANTAB ANTI-INFECTIVES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11
- Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38 The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

The company also elected to adopt the following amendment early:

- Disclosure Initiative: Amendments to IAS 7.

As this amendment merely clarifies the existing requirements, it does not affect the company's accounting policies or any of the disclosures.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the company. These are summarised below:

- IFRS 9 Financial Instruments: IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The standard is effective for accounting periods beginning on or after 1 January 2018. The company is yet to assess IFRS 9's full impact.
- IFRS 15 Revenue from Contracts with Customers: The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 January 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The standard is effective for annual periods beginning on or after 1 January 2017. The company is yet to assess the full impact of IFRS 15.
- IFRS 16 Leases: IFRS 16 specifies how companies will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019. The company is yet to assess IFRS 16's full impact.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. As these amendments merely clarify the existing requirements, they do not affect the company's accounting policies or any of the disclosures.

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## **CANTAB ANTI-INFECTIVES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **17.2 Foreign currency translation**

##### **(a) Functional and presentation currency**

Items included in the financial statements of the company are measured using £ sterling.

##### **(b) Transactions and balances**

Foreign currency transactions are translated into £ sterling using the exchange rates prevailing at the dates of the transactions or dates of valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies.

#### **17.3 Property, plant and equipment**

Plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated so as to write off their costs, less estimated residual values, over their useful economic lives, as follows:

Fixtures, fittings and equipment	- 3 to 5 years, straight-line basis
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An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Depreciation commences when assets are ready for use.

#### **17.4 Trade and other receivables**

Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised and carried at fair value.

Receivables from related parties are recognised and carried at cost less an allowance for any non- collectable amounts.

#### **17.5 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

#### **17.6 Share capital**

Ordinary shares are classified as equity. Ordinary share capital is recognised at the nominal value of the consideration received. Any difference between the fair value of the consideration received and the nominal value of the issued shares is recognised as share premium, after deducting related financing costs.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**17.7 Trade payables**

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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**17.8 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**17.9 Employee benefits**

**(a) Profit sharing and bonus plans**

The company recognises a liability and an expense for bonuses. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**(b) Termination benefits**

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits at the earlier of the following dates: (a) when the company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

**17.10 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services supplied in the normal course of business, net of discounts,

## **CANTAB ANTI-INFECTIVES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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VAT and other sales related taxes. The company recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

No element of financing is deemed present as the sales are made with credit terms of up to 90 days, which is consistent with the market practice.

#### **17.11 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

#### **17.12 Research and development costs**

Research and development cost are written off to the profit and loss account in the year in which they are incurred.