

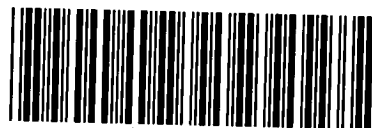
**XENTION LIMITED**

**Report and Financial Statements**

**Year ended 31 October 2016**

**XENTION LIMITED**  
**( - 06/04/2017 )**

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# **XENTION LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2016**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Independent auditor's report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>6</b>
<b>Balance sheet</b>	<b>7</b>
<b>Notes to the financial statements</b>	<b>8</b>

# **XENTION LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2016**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

Dr K G McCullagh (Chairman)  
Mr H A Slootweg  
Dr P M Round

#### **SECRETARIES**

Taylor Wessing Secretaries Limited  
Mr I P Radford

#### **REGISTERED OFFICE**

38 High Street  
Newmarket  
Suffolk  
CB8 8LB

#### **BANKERS**

Barclays Bank plc  
15 Bene't Street  
Cambridge  
CB2 3PZ

#### **SOLICITORS**

Taylor Wessing LLP  
24 Hills Road  
Cambridge  
CB2 1JP

#### **AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Cambridge

## **XENTION LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 October 2016.

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

### **PRINCIPAL ACTIVITIES**

The principal activity of the company is drug discovery and development. The development business was disposed in the prior year.

### **DIRECTORS**

The directors, who served during the year, and subsequent to the year, unless otherwise stated, were as follows:

Dr K G McCullagh	
Mr H A Sloodweg	
Dr P M Round	(appointed 17 May 2016)
Dr K T Cunningham	(resigned 30 June 2016)
Prof W Hartwig	(resigned 30 June 2016)
Dr B Montanari	(resigned 30 June 2016)
Dr A O'Connell	(resigned 30 June 2016)

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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; 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.

## **XENTION LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **AUDITOR**

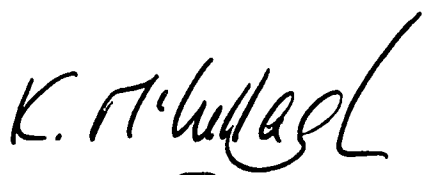
Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor.

Approved by the Board of Directors  
and signed on behalf of the Board



Director

Dr K G McCullagh

Date: 6<sup>th</sup> April 2017

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XENTION LIMITED**

We have audited the financial statements of Xention Limited for the year ended 31 October 2016 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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

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

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. 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.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
XENTION LIMITED (continued)**

**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;
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime or take advantage of the small companies exemption from preparing a strategic report or in preparing the directors' report.

*Adam Norman*

**Adam Norman (Senior Statutory Auditor)**  
**For and on behalf of Deloitte LLP**  
Chartered Accountants and Statutory Auditor  
Cambridge, United Kingdom

*5 May 2017*

## **XENTION LIMITED**

### **PROFIT AND LOSS ACCOUNT** **Year ended 31 October 2016**

	<b>Note</b>	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
<b>TURNOVER</b>		2,457	12,686
Other operating income	6	517	529
Staff costs		(1,054)	(5,918)
Depreciation	10	-	(87)
Other operating charges		(1,373)	(1,796)
<b>OPERATING PROFIT</b>	5	547	5,414
Interest receivable and similar income	7	14	7
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		561	5,421
Tax on profit on ordinary activities	8	408	603
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	15	969	6,024



# XENTION LIMITED

## BALANCE SHEET 31 October 2016

	Note	2016 £'000	2015 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	1	14
<b>CURRENT ASSETS</b>			
Debtors	11	765	1,990
Cash at bank and in hand		1,925	10,604
		2,690	12,594
<b>CREDITORS: amounts falling due within one year</b>	12	(761)	(5,547)
<b>NET CURRENT ASSETS</b>		1,929	7,047
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,930	7,061
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	-	(100)
		1,930	6,961
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	324	324
Share premium account	15	458	458
Profit and loss account	15	1,148	6,179
<b>SHAREHOLDERS' FUNDS</b>		1,930	6,961

These financial statements have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective January 2015).

The financial statements of Xention Limited, registered number 04452808, were approved by the Board of Directors and authorised for issue on 6 April 2017.

Signed on behalf of the Board of Directors



Dr K G McCullagh

Director

## **XENTION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **Year ended 31 October 2016**

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

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently throughout the current period and preceding year.

##### **Basis of accounting**

The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015) under the historical cost convention.

##### **Research and development**

Research and development expenditure is written off as incurred.

##### **Tangible fixed assets**

Tangible fixed assets are depreciated so as to write off their cost, less estimated residual value, in equal annual instalments over their estimated useful lives which are considered to be:

Short term leasehold improvements	Term of the lease
Laboratory equipment	33% straight line
Office and computer equipment	33% straight line

##### **Taxation**

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

##### **Grants**

Grants are credited to the profit and loss account in the same period as the related expenditure.

##### **Leases**

Operating lease rentals are charged to profit and loss account in equal annual amounts over the lease term.

##### **Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

##### **Pension costs**

The company contributes to employees' personal pension schemes. Contributions are charged to the profit and loss account as they become payable. The assets of the schemes are held independently of the company by insurance companies.

## XENTION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2016

#### 2. GOING CONCERN

During the period under review the company has met its working capital requirements primarily from its cash reserves as a result of cash receipts from research and collaboration agreements. The directors have prepared projected cash flow information to March 2018, and the company's current cash reserves together with reasonably expected receipts from income are sufficient to fund the anticipated activities during this period. The directors therefore consider it appropriate to regard the company as a going concern.

#### 3. REVENUE AND OTHER OPERATING INCOME

Revenue and other operating income represents amounts derived from research and collaboration agreements which fall within the company's ordinary activities. Amounts are recognised as the company meets the milestones under each agreement. The percentage of turnover from non-UK markets is 99%.

#### 4. INFORMATION REGARDING DIRECTORS

	2016 £'000	2015 £'000
<b>Directors' remuneration</b>		
Emoluments (excluding pension contributions)	180	528
Amounts receivable (other than shares and share options) under long-term incentive schemes	183	-
Compensation for losses of office	125	-
	<u>          </u>	<u>          </u>
Company contributions to money purchase and similar pension schemes in respect of directors' services	-	-
	<u>          </u>	<u>          </u>
	<b>No</b>	<b>No</b>
<b>The number of directors who:</b>		
• are members of a money purchase pension scheme	-	-
	<u>          </u>	<u>          </u>

#### 5. OPERATING PROFIT

	2016 £'000	2015 £'000
<b>Operating profit is after charging (crediting):</b>		
Depreciation	-	87
Loss/(profit) on sale of fixed assets	4	(12)
Research and development	1,794	5,872
The analysis of auditor's remuneration is as follows:		
Fees payable to the company's auditor for the audit of the company's annual accounts	11	12
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 October 2016**

**6. OTHER OPERATING INCOME**

	2016 £'000	2015 £'000
Grant income	517	529
	<u>517</u>	<u>529</u>

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2016 £'000	2015 £'000
Bank interest receivable	14	7
	<u>14</u>	<u>7</u>

**8. TAX ON PROFIT (LOSS) ON ORDINARY ACTIVITIES**

	2016 £'000	2015 £'000
Corporation tax	-	-
Credit in respect of prior year	(408)	(603)
Total current tax	<u>(408)</u>	<u>(603)</u>

**Analysis of deferred tax balances**

	Provided 2016 £'000	Provided (recognised) 2015 £'000	Not provided 2016 £'000	Not provided (recognised) 2015 £'000
Accelerated capital allowances	-	3	-	-
Revenue losses	-	(3)	(2,387)	(2,628)
Other timing differences	-	-	-	(3)
	<u>-</u>	<u>-</u>	<u>(2,387)</u>	<u>(2,631)</u>

As a result of the nature of the trade of the company, taxable losses have been incurred which are available for offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses as the company does not anticipate taxable profits to arise within the immediate future. The losses carried forward are estimated at £12,564,000 (2015 - £13,118,000). These losses offset the deferred tax liability of £nil (2015 - £3,000) arising from capital allowances in excess of depreciation.

# XENTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2016

### 9. DIVIDENDS

	2016 £'000	2015 £'000
Dividends on equity shares of £1.51 (2015 - £nil) per ordinary share	6,000	-

On 6 April 2017 an interim dividend was declared of £0.18 per ordinary share.

### 10. TANGIBLE FIXED ASSETS

	Short term leasehold improvements £'000	Laboratory equipment £'000	Office and computer equipment £'000	Total £'000
<b>Cost</b>				
At 1 November 2015	9	50	68	127
Additions in year	-	-	1	1
Disposals	(9)	(50)	(68)	(127)
At 31 October 2016	-	-	1	1
<b>Accumulated depreciation</b>				
At 1 November 2015	-	49	64	113
Charge in year	-	-	-	-
Disposals	-	(49)	(64)	(113)
At 31 October 2016	-	-	-	-
<b>Net book value</b>				
At 31 October 2016	-	-	1	1
At 31 October 2015	9	1	4	14

### 11. DEBTORS

	2016 £'000	2015 £'000
Trade debtors	256	493
Other debtors	3	38
Prepayments and accrued income	506	1,459
	765	1,990

All amounts are due within one year.

# XENTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2016

### 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Trade creditors	14	231
Amounts due to related parties	9	845
Other taxes and social security	120	85
Other creditors	2	3,795
Accruals and deferred income	616	591
	<u>761</u>	<u>5,547</u>

Other creditors includes amounts due for pension contributions of £2,322 (2015 - £17,030).

The intercompany loan is owed to Xention Pharma Limited. The full value of the loan was repaid on 11 April 2016.

### 13. PROVISIONS FOR LIABILITIES AND CHARGES

	2016 £'000	2015 £'000
Dilapidations provision	-	100

### 14. CALLED UP SHARE CAPITAL

	2016 £'000	2015 £'000
<b>Allotted, called up and partly paid</b>		
3,977,820 ordinary shares of 1p each	40	40
7,902,435 'A' ordinary shares of 1p each	79	79
10,672,331 'B' preferred ordinary shares of 1p each	106	106
5,400,610 'C' preferred ordinary shares of 1p each	54	54
8,967,002 'D' preferred ordinary shares of 0.5p each	45	45
	<u>324</u>	<u>324</u>

The options held by employees of this company relates to shares in Xention Pharma Limited. The details of the Enterprise Management Incentive scheme are as follows:

Share type	Granted	As at 1 November 2015	Number granted	Waived/ lapsed/ exercise	As at 31 October 2016	Exercise price
C ordinary	2011 – 2014	1,440,000	-	(1,440,000)	-	0.5p
Ordinary	2011 – 2014	2,790,485	-	(1,588,500)	1,201,985	0.5p

The EMI options typically vested over a four year period from the date of grant in accordance with the rules of the scheme.

Unapproved options over 330,000 ordinary shares were granted on 6 January 2011 with an exercise price of 0.5p each. 150,000 were exercised during 2015, options over the remaining 180,000 shares have lapsed.

# XENTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2016

### 15. STATEMENT OF MOVEMENT IN RESERVES

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 November 2015	458	6,179	6,637
Dividend paid (note 9)	-	(6,000)	(6,000)
Profit for the financial year	-	969	969
At 31 October 2016	458	1,148	1,606

### 16. OPERATING LEASE COMMITMENTS

At 31 October 2016, the company was committed to making the following payments during the next year in respect of operating leases:

	2016 £'000	2015 £'000
Leases which expire:		
Within one year	-	41
Within one to two years	4	-
	4	41

### 17. RELATED PARTY TRANSACTIONS

During the year the company provided services totalling £65,037 (2015 - £198,759) to Ario Pharma Limited, a company for which dual directorships have been noted. All trade was conducted in the ordinary course of business.

### 18. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Xention Pharma Limited, which owns 100% of the share capital.