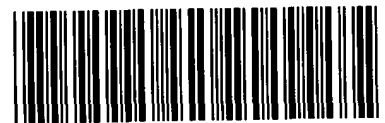


Company registered number: 04512301

Oxitec Limited  
Annual report and financial statements  
for the year ended 31 December 2019

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Oxitec Limited

## **Company Information**

**Registered no: 04512301**

### **Directors**

Grey Frandsen  
Theodore Fisher  
Dolt Koppler

### **Independent Auditors**

PricewaterhouseCoopers LLP  
3 Forbury Place  
23 Forbury Road  
Reading  
Berkshire  
RG1 3JH

### **Bankers**

Santander Corporate and Commercial Banking  
Santander UK plc  
1<sup>st</sup> Floor, 121 St Aldates  
Oxford  
OX1 1HB

### **Registered Office**

71 Innovation Drive  
Milton Park  
Abingdon  
Oxfordshire  
OX14 4RQ



**Annual report and financial statements for the year ended 31  
December 2019**

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Oxitec Limited

## **Directors' report for the year ended 31 December 2019**

The Directors present their annual report and the audited financial statements of the company for the year ended 31 December 2019.

### **Principal Activity**

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

### **Results and dividends**

The loss for the year ended 31 December 2019 amounted to £3,178,000 (2018: £31,207,000). The directors have not recommended a dividend (2018: Nil). The operating loss is significantly reduced in 2019 as the results for 2018 included the full impairment of the investment and intercompany balances of the investment in Oxitec do Brasil Tecnologia de Insetos Ltda and also the intercompany loans owed by Brazil. This impairment was required due to a change in the Company's business strategy for commercializing the developed technology targeting Aedes Aegypti mosquito, resulting in a lack of projected cash flows to support the carrying value of the investment and recoverability of the loans. In addition, the company's turnover increased due to there being two funded crop protection collaboration projects in 2019 compared to only one for most of the year in 2018.

### **Directors**

The Directors, who held office during the year and up to the date of signing the financial statements, unless otherwise stated, are as follows:

Grey Frandsen  
 Ricky Sterling (resigned 17 April 2020)  
 Christian Ulrich (resigned 17 April 2020)  
 Theodore Fisher (appointed 17 April 2020)  
 Doit Koppler (appointed 17 April 2020)

### **Going concern**

The financial information in these financial statements has been prepared assuming the company will continue on a going concern basis.

As at the date of signing of the financial statements the company had cash of £0.6m which together with contracted grant and collaboration funding is expected to fund the Company's planned operations until approximately December 2020, which is less than 12 months from date of signing of the financial statements. Accordingly, the Company requires additional funding from its parent company, TS Biotechnology Holdings, LLC. Whilst the directors expect the parent company to continue to provide support based on previous practice, funding is typically provided to fund operations for the following three to six months and any future amounts are not contractually committed.

These circumstances represent a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not contain any adjustments that might result if the company was unable to continue as a going concern.



Oxitec Limited

## **Directors' report for the year ended 31 December 2019 (continued)**

### **Post Balance Sheet Events**

On 2 January 2020 Intrexon Corporation (the ultimate parent company) announced that it had signed a definitive agreement to sell certain of its assets including all Oxitec companies to TS Biotechnology Holdings, LLC, an entity managed by Third Security LLC a venture capital firm. The transaction was completed on 31 January 2020 and TS Biotechnology Holdings, LLC became the ultimate parent and controlling party.

Following the change in ultimate parent and controlling party all outstanding share options and restricted stock units in Intrexon Corporation were cancelled.

On 10 February 2020, the company received additional funding by way of issuing a further 35,216 shares to TS Biotechnology Holdings, LLC for the sum of £821,075.

On 25 June 2020, the company received additional funding by way of issuing a further 83,056 shares to TS Biotechnology Holdings, LLC for the sum of £2,012,976.

On 10 March 2020 the company's subsidiary Oxitec Australia Pty Ltd was closed.

On 4 February 2020 the company's subsidiary Oxitec Singapore pte was closed.

The outbreak of novel coronavirus (Covid-19) in early 2020 has affected business and economy activities around the world. The Company considers this outbreak to be a non-adjusting post balance sheet event as of 31 December 2019. Given the spread of the coronavirus, the range of potential outcomes for the global economy are difficult to predict at the current time. When it comes to our business, we are monitoring the COVID-19 outbreak developments closely. The company follows guidance from the World Health Organisation and Public Health England and abides by the requirements as activated by local governments. All of our existing sponsors and grantees are fully aware and supportive of the actions we have taken which have minimal impact on our projects.

For an employee wellbeing and business continuity perspective we are proactively monitoring this outbreak and are maintaining continuous dialogue with employees regarding its status. Periodic updates are being issued and guidance to all staff on preventing measures and on maintaining good physical and mental health is being provided. The company made limited use of the Government furlough scheme and all individuals have now returned to work full time.

### **Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.



Oxitec Limited

## **Directors' report for the year ended 31 December 2019 (continued)**

### **Statement of directors' responsibilities in respect of the financial statements (continued)**

The directors 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 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.

### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The Company has also taken advantage of the small companies exemption from preparing the strategic report.

On behalf of the board



Grey Frandsen  
Director

24 September 2020



Oxitec Limited

## **Independent auditors' report to the members of Oxitec Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, Oxitec Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Profit and loss account, the Statement of changes in equity for the year then ended; and the notes to the financial statements; which includes a description of the significant accounting policies.

#### **Basis for opinion**

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

#### *Independence*

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

#### **Material uncertainty related to 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 uncertainty around the company's ability to continue as a going concern. The Company requires additional funding from its ultimate parent company, and whilst the directors expect to receive this support based on previous practice, any future amounts are not contractually committed. These circumstances 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 were unable to continue as a going concern.



Oxitec Limited

## **Independent auditors' report to the members of Oxitec Limited (continued)**

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

#### *Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements Independence*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



Oxitec Limited

## **Independent auditors' report to the members of Oxitec Limited (continued)**

### **Responsibilities for the financial statements and the audit (continued)**

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit concluded in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### *Use of this report*

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

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

#### **Entitlement to exemption**

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



Fiona Hornsby (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
24 September 2020



Oxitec Limited

**Profit and Loss Account**  
**For the year ended 31 December 2019**

	Note	31 December 2019 £'000	31 December 2018 £'000
Revenue	3	3,181	973
Cost of Sales		(1,494)	(876)
Gross profit		1,687	97
Research and development expenses		(2,756)	(5,823)
Impairment of investments, intangibles and intercompany receivables	4	(1,792)	(25,840)
Administrative expenses		(2,210)	(1,508)
Other operating income	3	1,893	1,367
Operating loss	5	(3,178)	(31,707)
Interest receivable and similar income	8	-	500
Loss before taxation		(3,178)	(31,207)
Tax on loss	9	-	-
<b>Loss for the financial year</b>		<b>(3,178)</b>	<b>(31,207)</b>

The company has no other comprehensive income or losses for the year other than the results above and therefore no separate statement of comprehensive income has been presented.



Oxitec Limited

**Balance Sheet as at 31 December 2019**

	Note	31 December 2019 £'000	31 December 2018 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible assets	11	-	-
Property, plant and equipment	12	2,012	2,235
Investments	13	-	-
		<u>2,012</u>	<u>2,235</u>
<b>Current assets</b>			
Trade and other receivables	14	2,148	914
Cash and cash equivalents		770	2,657
		<u>2,918</u>	<u>3,571</u>
<b>Creditors: amounts falling due within one year</b>	15	(5,781)	(3,893)
<b>Total assets less current liabilities</b>		<u>(851)</u>	<u>1,913</u>
<b>Net Assets</b>		<u>(851)</u>	<u>1,913</u>
<b>Equity</b>			
Called up share capital	16	13	13
Share premium account		71,496	71,117
Capital redemption reserve		3,325	3,290
Accumulated Losses		(75,685)	(72,507)
<b>Total equity</b>		<u>(851)</u>	<u>1,913</u>

The financial statements on pages 7 – 28 were approved by the board of directors on 24 September 2020, and were signed on its behalf by:



G Frandsen

Director

Company registered number: 04512301



Oxitec Limited

**Statement of changes in equity for the year ended 31 December 2019**

	<b>Called up share capital £'000</b>	<b>Share premium £'000</b>	<b>Capital contribution £'000</b>	<b>Accumulated losses £'000</b>	<b>Total equity £'000</b>
At 1 January 2019	13	71,117	3,290	(72,507)	1,913
Equity issue	-	379	-	-	379
Share based payment charge	-	-	35	-	35
Loss for the financial year	-	-	-	(3,178)	(3,178)
<b>At 31 December 2019</b>	<b>13</b>	<b>71,496</b>	<b>3,325</b>	<b>(75,685)</b>	<b>(851)</b>

	<b>Called up share capital £'000</b>	<b>Share premium £'000</b>	<b>Capital redemption reserve £'000</b>	<b>Accumulated losses £'000</b>	<b>Total equity £'000</b>
At 1 January 2018	13	65,366	2,751	(41,300)	26,830
Equity issue	-	5,751	-	-	5,751
Share based payment charge	-	-	539	-	539
Loss for the financial year	-	-	-	(31,207)	(31,207)
<b>At 31 December 2018</b>	<b>13</b>	<b>71,117</b>	<b>3,290</b>	<b>(72,507)</b>	<b>1,913</b>



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019

### 1. Accounting policies

#### *General information*

Oxitec Limited works in the field of research & development. The company is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is 71 Innovation Drive, Milton Park, Abingdon, Oxfordshire, OX14 4RQ.

#### *Statement of compliance*

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS102) and are presented as required by the Companies Act 2006.

#### *Basis of preparation*

The financial statements are prepared on a going concern basis, under the historical cost convention.

The principal accounting policies are summarized below. They have all been applied consistently throughout the current year and prior year, unless otherwise stated.

The preparation of financial statements in conformity with FRS102 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 2.

#### *Exemptions for qualifying entities under FRS 102*

FRs 102 allows a qualifying entity certain disclosure exemptions (FRS 102 para 1.12). The company is a wholly owned subsidiary company of Intrexon Corporation and is included in the financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the following available exemptions.

- FRS 102 section 7 para 3.17(d) "Statement of cash flows" from not presenting a cash flow statement.
- FRs 102 para 4.12(a) from not preparing a reconciliation of the number of shares outstanding at the beginning and end of the period
- FRS 102 paras 11.39 – 11.48A, 12.26 – 12.29 from not disclosing certain financial instrument disclosures unless required by the Companies Act 2006.
- FRS 102 paras 26.18(b), 26.19-26.21, 26.23 from not disclosing certain share based payment disclosures because the company's share based payments concern the equity instruments of another group entity namely Intrexon Corporation and are consolidated into and disclosed in that Company's publicly available financial statements.
- FRS 102 para 33.7 the non-disclosure of key management personnel compensation in total.
- FRS 102 para 33.1A the non-disclosure of related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 1. Accounting Policies (continued)

#### *Consolidated financial statements*

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

#### *Going concern*

The financial information in these financial statements has been prepared assuming the company will continue on a going concern basis.

As at the date of signing of the financial statements the company had cash of 0.6m which together with contracted grant and collaboration funding is expected to fund the Company's planned operations until approximately December 2020, which is less than 12 months from date of signing of the financial statements. Accordingly, the Company requires additional funding from its parent company, TS Biotechnology Holdings, LLC. Whilst the directors expect the parent company to continue to provide support based on previous practice, funding is typically provided to fund operations for the following three to six months and any future amounts are not contractually committed.

These circumstances represent a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not contain any adjustments that might result if the company was unable to continue as a going concern.

#### *Revenue*

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

The Company generates revenue from funded research and development programs. Amounts receivable in respect of milestone payments are recognised in the period in which related costs are incurred, or over the estimated period to completion of the relevant phase of research. Where amounts are receivable on achievement of specified milestones, revenue is only recognised when it is probable the specific conditions stipulated in the agreement will be met. Where payments are received upfront, these payments are initially recorded as deferred income.

#### *Other operating income*

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



Oxitec Limited

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **1. Accounting Policies (continued)**

#### ***Foreign currency***

The functional currency is UK sterling. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate.

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

#### ***Pensions and other post-employment benefits***

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

#### ***Share based payments***

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

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

#### ***Leases***

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

#### ***Corporation tax***

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

Current or deferred taxation assets and liabilities are not discounted.

#### ***i. Current tax***

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

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.



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 1. Accounting policies (continued)

#### ii. Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions.

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

Research and development expenditure which is not eligible for reimbursement under the tax credit regime applicable to small and medium sized companies may be reimbursed under the UK Research and Development Expenditure Credit ("RDEC") scheme. Receipts under the RDEC scheme are presented within other operating income as they are similar in nature to grant income.

#### *Property, plant and equipment*

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

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

#### *Intangible assets – computer software*

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

#### *Investments*

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



Oxitec Limited

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **1. Accounting policies (continued)**

#### ***Impairment of non-financial assets***

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

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

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

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

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

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

#### ***Financial Instruments***

##### ***Financial assets***

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

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



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 1. Accounting policies (continued)

#### Financial assets (continued)

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

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

#### **Financial liabilities**

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

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

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

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

#### **Offsetting**

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

#### **Share capital**

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

#### **Related party transactions**

The company discloses transactions with related parties which are not wholly owned with the same group. It has taken advantage of exemption in FRS and does not disclose transactions with members of the same group that are wholly owned.



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 2. Significant accounting judgments, estimates and assumption

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

#### *Critical judgements in applying the Company's accounting policies*

The following are the critical judgements, that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements

#### *Impairment of intercompany debtors and investments in subsidiaries*

The Company is required to exercise judgement as to whether there is any indication that its assets, including investments and amounts owed by Group undertakings, have suffered an impairment loss when reviewing the carrying value of those assets. When assessing impairment, management considers factors including the future cash flow projections discounted to NPV.

#### *Critical estimates in applying the Company's accounting policies*

Management makes estimates relating to the recognition of revenue which could result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The key assumptions are the stage of completion, either measured based on costs or time to completion, and whether it is probable the milestones will be achieved.

### 3. Revenue and other operating income

	2019 £'000	2018 £'000
<i>Revenue</i>		
United States – collaboration revenue	3,181	973
	<u>3,181</u>	<u>973</u>
<i>Other operating income</i>		
Tax credits receivable	246	391
<i>Research grants</i>		
European Union	61	196
Australia	-	261
United States	1,582	485
India	4	34
	<u>1,893</u>	<u>1,367</u>



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 4. Impairment of investments, intangibles and intercompany receivables

	2019 £'000	2018 £'000
Impairment of intangibles (note 11)	-	939
Impairment/(reversal of impairment) of intercompany balance Oxitec Cayman Limited (note 14)	62	(249)
Impairment of intercompany balance Oxitec do Brasil Tecnologia de Insetos tda (note 14)	1,730	22,518
Impairment of investment (note 13)	-	1,632
	<u>1,792</u>	<u>25,840</u>

During the prior year the Directors reviewed the carrying value of the investment in Oxitec do Brasil Tecnologia de Insetos Ltda and also the recoverability of the intercompany loans owed by Brazil and fully impaired both. This was required due to a change in the Company's business strategy for commercializing the Oxitec Limited developed technology targeting *Aedes Aegypti* mosquito, resulting in a lack of projected cash flows to support the carrying value of the investment and recoverability of the loans. During 2019 there has been no change in the company's strategy and thus the movement on the intercompany impairment provision is £1,730k (2018: £22,518k)

During the year, the movement on the intercompany impairment provision on the Oxitec Cayman Limited intercompany balance was £62k (2018: £ (249)k), as the company was struck off on 31 December 2019 and amounts were not recovered.

In 2018 the Directors reviewed its use of the computer software and made the decision to impair as the majority of the system is not being utilized and will not be the foreseeable future.



Oxitec Limited.

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 5. Operating loss

	2019 £'000	2018 £'000
Operating loss is stated after charging/(crediting):		
Depreciation (note 12)	631	484
Impairment of intangibles (note 4)	-	939
Loss on disposal of fixed assets (note 12)	39	-
Operating lease charges (note 17)	209	215
Net foreign exchange gains	(116)	(65)
Impairment of investment (note 13)	-	1,632
Impairment of intercompany balance (note 4)	1,792	23,269
Audit fees payable to the company's auditors	35	32
R&D expenditure	2,756	5,823

In addition to the audit fees above £6,000 (2018: £8,000) was paid to the Company's auditors by the Company in respect of the statutory audit of the immediate parent company Oxitec Insect Holdings Limited (formerly, Intrexon UK Insect Holdings Limited). This amount will not be reimbursed.

### 6. Staff costs and numbers

	2019 £'000	2018 £'000
Wages and salaries	2,301	2,431
Social security costs	237	240
Other pension costs	190	304
Share based payment charge	34	539
	<u>2,762</u>	<u>3,514</u>

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

	2019 numbers	2018 numbers
Research	36	44
Business Development and Regulatory	5	5
Administration	7	6
	<u>48</u>	<u>55</u>



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 7. Directors' emoluments

R Sterling, C Ulrich and G Frandsen did not receive remuneration in relation to their position as Directors of the Company. The Directors of the company receive their remuneration directly from other Group companies and no recharge is made as it is not practical to split their remuneration. During 2019, payments totalling £607,897 (2018: £285,497) were made by the company in relation to aspects of remuneration for one Director, which were not reimbursed by the Group. Of this £306,681 (2018: £70,647) relating to double taxation will be refunded by tax authorities to the parent company in 2020 upon filing of the relevant tax returns.

No Director exercised share options during the current or prior year

### 8. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable from Group undertakings	-	499
Other interest received	-	1
	<u>-</u>	<u>500</u>

### 9. Tax on loss

	2019 £'000	2018 £'000
Corporation tax:		
Current tax:		
UK corporation tax on loss for the year	<u>-</u>	<u>-</u>
<b>Total current tax</b>	<u>-</u>	<u>-</u>



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 9. Tax on loss (continued)

Tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£'000	£'000
<b>Loss before tax</b>	(3,178)	(31,207)
Loss before tax multiplied by the standard rate of Corporation tax in the UK of 19% (2018: 19%)	(604)	(5,929)
<i>Adjustments in respect of:</i>		
Expenses not deductible for tax purposes	358	4,739
Capital allowances in excess of depreciation	39	(65)
Timing differences on share options	4	103
Timing differences on pension contributions	(1)	1
Tax losses carried forward	212	1,151
<b>Total tax charge</b>	<u>-</u>	<u>-</u>

Unrelieved tax losses of approximately £46,177,710 (2018: £45,061,455) remain available for offset against future trading profits, prior to any research and development tax relief claims for the current year. The company has not recognized any deferred tax asset in respect of these losses due to there being uncertainty regarding its recovery in the foreseeable future

Factors that may affect future tax charge:

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

On 11 March 2020 the UK government announced that the previously enacted corporate tax rate reduction from 19% to 17% on 1 April 2020 would not go ahead. This change has no impact on the company.



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 10. Share based payments and Restricted stock units

Certain employees of the Company have been granted options over shares in Intrexon Corporation. The options are granted with a fixed exercise price, are exercisable in equal tranches over one to four year and expire 10 years after the date of grant. Employees are required to remain in employment with the group. A charge of £35,000 (2018: £539,000) has been recognised in the profit and loss account in relation to these options. This has been credited to a capital redemption reserve as the Company is not required to reimburse Intrexon Corporation.

A reconciliation of share options movements over the year to 31 December 2019 is shown below:

	2019		2018	
	No	Weighted average exercise price £	No	Weighted average exercise price £
<b>Outstanding at 1 January</b>	214,441	18.29	235,661	18.84
Granted	-	-	54,000	10.6
Forfeited	(133,241)	18.79	(75,220)	18.77
Outstanding at 31 December	81,200	17.47	214,441	18.29
Exercisable at 31 December	57,950	20.36	100,330	20.96

The options granted by Intrexon Corporation have been converted at the USD to GBP exchange rate applying on the grant dates. The Company is liable for Class 1 additional National Insurance contributions on the net gain of options by employees. At the balance sheet date, the share price was below the exercise price, therefore no provision has been made for such a charge.

During the year, the Intrexon Corporation granted 29,468 (2018: 0) restricted stock units which vest over one year. In 2018 Intrexon Corporation granted 13,021 restricted stock units that vest over four years. At 31 December 2019, the outstanding restricted stock units ('RSUs') which have been granted are 2,546. (2018: 2,546)

The movement in the number of RSUs is set out below:

	Year ended 31 December 2019	Year ended 31 December 2018
Outstanding at 1 January	13,021	-
Granted during year	29,468	13,021
Exercised during year	(10,894)	-
Forfeited during year	(29,049)	-
Number of RSUs outstanding at 31 December	2,546	13,021



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 11. Intangible assets

	Computer software £'000
<b>Cost</b>	
At 1 January 2019 and 31 December 2019	1,022
<b>Accumulated Amortisation</b>	
At 1 January 2019 and 31 December 2019	1,022
NBV as at 31 December 2019 and 31 December 2018	-

### 12. Property, plant and equipment

	Leasehold Improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2019	2,611	876	3,487
Additions	316	130	446
Disposals	-	(134)	(134)
At 31 December 2019	2,927	872	3,800
<b>Accumulated Depreciation</b>			
At 1 January 2019	870	382	1,252
Provided during year	458	173	631
Disposals	-	(95)	(95)
At 31 December 2019	1,328	460	1,788
NBV as at 31 December 2019	1,599	412	2,012
NBV as at 31 December 2018	1,741	494	2,235



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 13. Investments

<b>Cost</b>	<b>£'000</b>
At 1 January 2019 and 31 December 2019	<u>1,632</u>
<b>Impairment provision</b>	
At 1 January 2019 and 31 December 2019	<u>(1,632)</u>
Carrying amount at 31 December 2019 and 31 December 2018	<u>-</u>

During the prior year the directors reviewed the carrying value of the investment in Oxitec do Brasil Tecnologia de Insetos Ltda and have fully impaired the investment. This was required due to a change in the Company's business strategy for commercializing the Oxitec Limited developed technology targeting *Aedes Aegypti* mosquito, resulting in a lack of projected cash flows to support the carrying value of the investment.

All subsidiaries and their associated holding are listed below:

Company name	Principal activity	Country of Incorporation	equity interest
Oxitec do Brasil Tecnologia de Insetos tda	Insects	Brazil	100%
Oxitec Singapore pte	Dormant	Singapore	100%
Oxitec Sdn Bhd	Dormant	Malaysia	100%
Oxitec Australia Pty Ltd	Dormant	Australia	100%
Mosquito Technologies Limited	Dormant	Mexico	99%
Precision Biological Innovation, S.R.L	Dormant	Costa Rica	100%



Oxitec Limited

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **13. Investments (continued)**

Registered addresses:

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

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

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

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

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

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

In Q4 2019 Oxitec Limited took a decision to close all of its overseas subsidiaries except Oxitec do Brasil Tecnologia de Insetos Ltda.

Oxitec Cayman Limited was struck off on 31 December 2019. All balances relating to Oxitec Cayman Limited had been provided for so there is no gain/loss on disposal of the subsidiary.

Oxitec Australia Pty Ltd was closed on 10 March 2020 and Oxitec Singapore pte was struck off on 4 February 2020.

The remaining closures are not yet completed as of the date of signing these Financial Statements.



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 14. Trade and other receivables

	2019	2018
Due within one year	£'000	£'000
Trade receivables	-	4
Amounts owed by parent undertaking	4	-
Research and development tax credit receivable	566	657
VAT recoverable	121	126
Other receivables	14	13
Prepayments and accrued income	1,443	114
	<u>2,148</u>	<u>914</u>

In the prior year the directors considered the recoverability of the amounts owed by group undertakings and have previously fully provided against amounts owed by Oxitec Sdn Bhd, Oxitec Singapore pte and Oxitec Cayman Limited. In addition an amount of £248,742 was released from provision against amounts owed by Oxitec Cayman Limited as income was received by Oxitec Limited on behalf of Oxitec Cayman Limited.

In the current year Oxitec Cayman Limited was struck off and all intercompany balances have been written off. In addition, the directors have provided fully for the remaining amount owed by group undertakings arising during the year relating to Oxitec do Brasil Tecnologia de Insetos Ltda for £1,728,461 (2018: £23,518,107).

In respect of the amounts owed by Group undertakings, an amount of £4,895,000 is interest bearing (six month USD LIBOR +3%), an amount of £6,000,000 interest bearing (six months GBP libor + 3%), the remaining amount of £13,088,820 is interest free. There is also £1,262,747(2018: £1,262,834) of accrued interest on the above-mentioned loans. All amounts are unsecured and are repayable on demand after one year and at the latest five years after the instalment was made, or convertible into equity of the borrowing company.

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



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 15. Creditors: Amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	79	143
Taxation and social security	172	372
Other creditors	147	80
Accruals and deferred income	5,383	3,298
	<u>5,781</u>	<u>3,893</u>

### 16. Called up Share capital

	2019 No.	2019 £'000	2018 No.	2018 £'000
Allotted and fully paid				
At 1 January	1,326,987	13	1,278,091	13
Issued during year	3,148	-	48,896	-
At 31 December	<u>1,330,135</u>	<u>13</u>	<u>1,326,987</u>	<u>13</u>

Ordinary shares of £0.01

The company issued 3,148 shares on 26 September 2019 for £379,600.

During the year end 31 December 2018, the company issued 30,008 shares on 18 May 2018 for £3,443,476 and 18,888 shares on 7 September 2018 for £2,307,313

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 17. Obligations under operating leases

The Company had the following future minimum lease payments under non-cancellable operating leases.

	2019 £'000	2018 £'000
Within one year	126	210
In two to five years	-	126
	<hr/> 126	<hr/> 336

The Company had no capital or other commitments at 31 December 2019 (2018: £Nil)

### 18. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Oxitec Insect Holdings Limited (formerly, Intrexon UK Insect Holdings Limited). The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Intrexon Corporation. Copies of Intrexon Corporation consolidated financial statements can be obtained from the legal department, 20374 Seneca Meadows Parkway, Germantown, Maryland, USA.



Oxitec Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 19. Post balance sheet events

On 2 January 2020 Intrexon Corporation (the ultimate parent company) announced that it had signed a definitive agreement to sell certain of its assets including all Oxitec companies to TS Biotechnology Holdings, LLC, an entity managed by Third Security LLC, a venture capital firm. The transaction was completed on 31 January 2020 and TS Biotechnology Holdings, LLC became the ultimate parent and controlling party.

Following the change in ultimate parent and controlling party all outstanding share options and restricted stock units in Intrexon Corporation were cancelled.

On 10 February 2020, the company received additional funding by way of issuing a further 35,216 shares to TS Biotechnology Holdings, LLC for the sum of £821,075

On 25 June 2020, the company received additional funding by way of issuing a further 83,056 shares to TS Biotechnology Holdings, LLC for the sum of £2,012,976

On 10 March 2020 the company's subsidiary Oxitec Australia Pty Ltd was closed.

On 4 February 2020 the company's subsidiary Oxitec Singapore pte was closed.

The outbreak of novel coronavirus (Covid-19) in early 2020 has affected business and economy activities around the world. The Company considers this outbreak to be a non-adjusting post balance sheet event as of 31 December 2019. Given the spread of the coronavirus, the range of potential outcomes for the global economy are difficult to predict at the current time. When it comes to our business, we are monitoring the COVID-19 outbreak developments closely. The company follows guidance from the World Health Organisation and Public Health England and abides by the requirements as activated by local governments. All of our existing sponsors and grantees are fully aware and supportive of the actions we have taken which have minimal impact on our projects.

For an employee wellbeing and business continuity perspective we are proactively monitoring this outbreak and are maintaining continuous dialogue with employees regarding its status. Periodic updates are being issued and guidance to all staff on preventing measures and on maintaining good physical and mental health is being provided. The company made limited use of the Government furlough scheme and all individuals have now returned to work.