

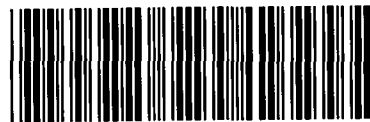
---

**XO1 LIMITED**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

TUESDAY



A10      \*A7F78QA8\*      #43  
25/09/2018  
COMPANIES HOUSE

---

**XO1 LIMITED**

---

**CONTENTS**

---

|  | Page(s) |
|--|---------|
| <b>Company Information</b>               | 1       |
| <b>Directors' Report</b>                 | 2 - 4   |
| <b>Independent Auditors' Report</b>      | 5 - 7   |
| <b>Income Statement</b>                  | 8       |
| <b>Statement of Financial Position</b>   | 9       |
| <b>Statement of Changes in Equity</b>    | 10      |
| <b>Notes to the Financial Statements</b> | 11 - 20 |

---

**XO1 LIMITED**

---

**COMPANY INFORMATION**

---

|                             |   |
|-----------------------------|---|
| <b>Directors</b>            | M Olsson<br>N Scott   |
| <b>Company secretary</b>    | J Margevich   |
| <b>Registered number</b>    | 08424622  |
| <b>Registered office</b>    | 50-100 Holmers Farm Way<br>High Wycombe<br>Buckinghamshire<br>HP12 4EG  |
| <b>Independent auditors</b> | PricewaterhouseCoopers LLP<br>Chartered Accountants & Statutory Auditors<br>3 Forbury Place<br>23 Forbury Road<br>Reading<br>Berkshire<br>RG1 3JH |

---

## XO1 LIMITED

---

### **DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

---

The directors present their annual report and the audited financial statements for the financial period ended 31 December 2017.

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the audited financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare audited financial statements for each financial period. 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 101 "Reduced Disclosure Framework"), and applicable law.

Under company law the directors must not approve the audited 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 audited financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, including FRS 101, 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 audited financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 audited financial statements comply with the Companies Act 2006.

#### **Directors' confirmation**

In the case of each director at the date the directors' report is approved:

- so far as they are 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.

#### **Future outlook**

The directors continue to consider options for the company given the recent cessation of the XO1 research programme.

---

## XO1 LIMITED

---

### DIRECTORS' REPORT (CONTINUED) FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

---

#### Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in liquidity risk and interest rate cash flow risk.

##### *Liquidity risk*

The company is funded within the Johnson & Johnson group of companies. Its funding requirements are reviewed regularly by both the board of directors and the treasury department of Johnson & Johnson to ensure the company has sufficient available funds for operations and planned expansions.

##### *Interest rate cash flow risk*

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets earn interest at a variable rate.

#### Results and dividends

The result for the financial period is set out on page 8. The current period is the 26 week period ended 31 December 2017. The prior period consisted of 52 weeks to 2 July 2017. Therefore, the results in the two periods are not entirely comparable.

The company's loss for the financial period is £98,000 (2 July 2017: profit of £1,863). Interim dividends of £nil (2 July 2017: £nil) per ordinary share amounting to £nil (2 July 2017: £nil) were paid during the financial period. The aggregate dividends on the ordinary shares recognised during the financial period amounts to £nil (2 July 2017: £nil). There are no proposed dividends awaiting approval at 31 December 2017.

#### Research and development

The company engages in research and development activities performed on behalf of other companies in the Johnson & Johnson group.

#### Events since the period end

Following the financial period end, it was decided not to continue with XO1's research programme within the Johnson & Johnson group. This resulted in an impairment to the company's intangible assets, as outlined in note 10 of the financial statements.

#### Directors

The directors who served during the financial period and up to the date of signing the financial statements, unless otherwise stated, are given below:

M Olsson  
N Scott

---

XO1 LIMITED

---

**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

---

**Independent Auditors**

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place in accordance with s487 of the Companies Act 2006 for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

**Small companies exemption**

The directors have taken exemption from the requirement to prepare a Strategic Report under Section 414(B) of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

.....  
M Olsson  
Director

Date: Sept 11, 2018

---

## XO1 LIMITED

---

### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF XO1 LIMITED

---

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

##### Opinion

In our opinion XO1 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 statement of financial position as at 31 December 2017; the income statement, the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### Basis for opinion

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

##### *Independence*

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

##### Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

---

## XO1 LIMITED

---

### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF XO1 LIMITED

---

#### **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 period ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

As explained more fully in the Statement of directors' responsibilities set out on page 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.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

---

XO1 LIMITED

---

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF XO1 LIMITED

---

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

*Auditors' responsibilities for the audit of the financial statements (continued)*

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](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 other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Other required reporting**

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

**Entitlement to exemptions**

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



Katherine Stent (Senior Statutory Auditor)

for and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
Reading

Date: 11/9/18

---

**XO1 LIMITED**

---

**INCOME STATEMENT  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

---

|  | Note | Financial<br>period ended<br>31 December<br>2017<br>£000 | Financial<br>year ended<br>2 July<br>2017<br>£000 |
|--|------|--|---|
| Revenue  | 3    | 1,061  | 1,639   |
| Administrative expenses  |      | (1,159)  | (1,816)   |
| Other operating income   |      | -  | 175   |
| <b>Operating loss</b>  | 4    | <b>(98)</b>  | <b>(2)</b>  |
| Interest receivable and similar income                         | 8    | -  | 4   |
| <b>(Loss)/ profit on ordinary activities before income tax</b> |      | <b>(98)</b>  | <b>2</b>  |
| Income tax expense on ordinary activities                      | 9    | -  | -   |
| <b>(Loss)/ profit for the financial period/year</b>            |      | <b>(98)</b>  | <b>2</b>  |

The company has no other comprehensive income for the financial period ended 31 December 2017 or the financial year ended 2 July 2017 other than the results above and therefore no separate statement of other comprehensive income has been prepared.

All amounts relate to continuing operations.

XO1 LIMITED  
REGISTERED NUMBER:08424622

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017

|   | Note | 31 December<br>2017<br>£000 | 2 July<br>2017<br>£000 |
|---|------|-----------------------------|------------------------|
| <b>Non-current assets</b>                                     |      |                             |                        |
| Intangible assets   | 10   | -                           | 105                    |
|   |      | <u>-</u>                    | <u>105</u>             |
| <b>Current assets</b>   |      |                             |                        |
| Trade and other receivables                                   | 11   | 311                         | 1,044                  |
| Cash and cash equivalents                                     |      | 1,826                       | 1,532                  |
|   |      | <u>2,137</u>                | <u>2,576</u>           |
| Trade and other payables: amounts falling due within one year | 12   | (72)                        | (518)                  |
| <b>Net current assets</b>                                     |      | <u>2,065</u>                | <u>2,058</u>           |
| <b>Net assets</b>   |      | <u><u>2,065</u></u>         | <u><u>2,163</u></u>    |
| <b>Capital and reserves</b>                                   |      |                             |                        |
| Ordinary shares   | 13   | 1                           | 1                      |
| Share premium   |      | 7,140                       | 7,140                  |
| Retained earnings   |      | (5,076)                     | (4,978)                |
| <b>Total equity</b>   |      | <u><u>2,065</u></u>         | <u><u>2,163</u></u>    |

The financial statements were approved and authorised for issue by the board and were signed on its behalf.

.....  
M Olsson  
Director

Date: Sept 11, 2018

The notes on pages 11 to 20 form part of these financial statements.

---

**XO1 LIMITED**

---

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

---

|  | Ordinary<br>shares<br>£000 | Share<br>premium<br>£000 | Retained<br>earnings<br>£000 | Total equity<br>£000 |
|--|----------------------------|--------------------------|------------------------------|----------------------|
| <b>At 4 July 2016</b>                                      | <b>1</b>                   | <b>7,140</b>             | <b>(4,980)</b>               | <b>2,161</b>         |
| Profit for the financial year                              | -                          | -                        | 2                            | 2                    |
| <b>Total comprehensive income for the financial year</b>   | <b>-</b>                   | <b>-</b>                 | <b>2</b>                     | <b>2</b>             |
| <b>At 2 July 2017</b>                                      | <b>1</b>                   | <b>7,140</b>             | <b>(4,978)</b>               | <b>2,163</b>         |
| Result for the financial period                            | -                          | -                        | (98)                         | (98)                 |
| <b>Total comprehensive income for the financial period</b> | <b>-</b>                   | <b>-</b>                 | <b>(98)</b>                  | <b>(98)</b>          |
| <b>At 31 December 2017</b>                                 | <b>1</b>                   | <b>7,140</b>             | <b>(5,076)</b>               | <b>2,065</b>         |

---

## XO1 LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

---

#### 1. General information

XO1 Limited is a wholly owned private company limited by shares incorporated and domiciled in the United Kingdom. The address of its registered office is: 50-100 Holmers Farm Way, High Wycombe, Buckinghamshire, HP12 4EG. The company's principal activity is pharmaceutical research and development.

Janssen Pharmaceuticals Inc., a company incorporated in the United States of America, is the company's immediate parent company. Johnson & Johnson, incorporated in the United States of America, is the company's ultimate parent undertaking. Johnson & Johnson prepares group financial statements and is both the smallest and largest group for which group financial statements are drawn up and of which XO1 Limited is a member. Copies of the consolidated financial statements may be obtained from the Secretary, Johnson & Johnson, One Johnson & Johnson Plaza, New Brunswick, New Jersey 08933, USA.

As the company is a wholly owned subsidiary of Johnson & Johnson, the group financial statements of which are publicly available, advantage is also taken of the exemption from disclosing transactions with group companies and from presenting a cash flow statement.

These financial statements are the company's separate financial statements for the financial period beginning 3 July 2017 and ending 31 December 2017. In future, the company's reporting period will end on the Sunday closest to 31 December, being 30 December 2018 for the current period (52 weeks).

#### 2. Accounting policies

##### 2.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared on the historical cost convention and in accordance with the Companies Act 2006. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

As permitted by the Companies Act 2006, the directors have adapted the prescribed format of the profit and loss account in a manner appropriate to the nature of the company's business.

The preparation of financial statements in conformity with FRS 101 requires the use of certain accounting estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. 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 2.15 (critical accounting estimates and judgements).

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101 which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Details of the company's parent and from where its consolidated financial statements prepared in accordance with a Generally Accepted Accounting Practice considered to be an equivalent to IFRS may be obtained are set out in note 1 to the financial statements.

---

## XO1 LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

---

## 2. Accounting policies (continued)

### 2.1 Basis of preparation (continued)

In accordance with FRS 101, the company has availed of an exemption from the following requirements of IFRS:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, Fair value measurement'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - 10 (d) (statement of cash flows)
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 111 (cash flow statement information)
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- 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 remaining exemptions available under the Framework are not applicable to the company at this time.

### 2.2 New standards, amendments and IFRIC interpretations

No new accounting standards or amendments to accounting standards, or IFRIC interpretation that are effective for the year ended 31 December 2017, have had a material impact on the company.

### 2.3 Foreign currency translation

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

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in Pounds Sterling (£), which is also the company's functional currency.

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

---

**2. Accounting policies (continued)**

**2.4 Intangible assets**

Intangible assets consist of purchased licences, which have been capitalised at cost and amortised systematically over the estimated useful economic life as follows:

Licences: 20 years

**2.5 Impairment of non-financial assets**

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

**2.6 Financial Instruments**

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policy in respect of financial instruments transactions are explained below.

*(a) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

*(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' in the statement of financial position.

*(c) Financial liabilities*

The company classifies all of its financial liabilities at amortised cost.

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method which ensures that any interest expense over the period to repayments is at a constant rate on the balance of the liability carried into the statement of financial position.

---

**XO1 LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

---

**2. Accounting policies (continued)**

**2.7 Impairment of financial assets**

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

**2.8 Trade and other receivables**

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised at fair value less provisions for impairments.

**2.9 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand and deposits held with banks.

**2.10 Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

Accruals and deferred income comprise expenses relating to the current period, which will not be invoiced until after the balance sheet date, and cash received in advance relating to the following period.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

---

**2. Accounting policies (continued)**

**2.11 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at date of the statement of financial position. 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 on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the date of the statement of financial position 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 temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**2.12 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for research and development services supplied to fellow Johnson & Johnson group companies.

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

**2.13 Other operating income**

Other operating income represents government grants receivable, and it is credited to the income statement in the period when the related qualifying expenditure is incurred.

**2.14 Ordinary shares**

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, net of tax, from the proceeds.

---

**XO1 LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

---

**2. Accounting policies (continued)**

**2.15 Critical accounting estimates and judgements**

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.

*(a) Useful economic lives of intangible assets*

The annual amortisation charge for the company's licence is sensitive to changes in the estimated useful economic life and residual value of the asset, which are re-assessed annually. They may be amended when necessary to reflect current estimates, based on future plans and anticipated utilisation of the asset.

**2.16 Impairment of fixed assets**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**3. Revenue**

Revenue represents amounts receivable for research and development services supplied to fellow Johnson & Johnson group companies in the USA.

**4. Operating loss**

The operating loss is stated after charging/ (crediting):

|  | <b>Financial<br/>period ended<br/>31 December<br/>2017<br/>£000</b> | <i>Financial<br/>year ended<br/>2 July<br/>2017<br/>£000</i> |
|--|---|--|
| Research and development charged as an expense | 1,040   | 1,629  |
| Impairment of intangible assets (note 10)      | 102   | -  |
| Amortisation of intangible assets (note 10)    | 3   | 7  |
| Government grants receivable                   | -   | (175)  |
| Foreign exchange differences                   | -   | (2)  |
|  | <hr/>   | <hr/>  |

---

**XO1 LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

---

**5. Auditors' remuneration**

Remuneration for the statutory audit and other services carried out for the company by the company's auditors is as follows:

|   | <b>Financial<br/>period ended<br/>31 December<br/>2017<br/>£000</b> | <i>Financial<br/>year ended<br/>2 July<br/>2017<br/>£000</i> |
|---|---|--|
| Audit of entity financial statements (including expenses) | <b>12</b>   | <b>18</b>  |
|   | <b>12</b>   | <b>18</b>  |

**6. Employees**

The company did not have any employees during the period (*year ended 2 July 2017: none*).

**7. Directors' emoluments**

The directors during the period were employed by other companies in the Johnson & Johnson group and their remuneration has been borne by those companies (*year ended 2 July 2017: £nil*).

**8. Interest receivable and similar income**

|   | <b>Financial<br/>period ended<br/>31 December<br/>2017<br/>£000</b> | <i>Financial<br/>year ended<br/>2 July<br/>2017<br/>£000</i> |
|---|---|--|
| Interest receivable                           | -   | 2  |
| Foreign exchange differences on bank balances | -   | 2  |
|   | -   | 4  |

---

**XO1 LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

---

**9. Income tax**

|                          | <b>Financial<br/>period ended<br/>31 December<br/>2017<br/>£000</b> | <i>Financial<br/>year ended<br/>2 July<br/>2017<br/>£000</i> |
|--------------------------|---|--|
| <b>Total current tax</b> | <u>-</u>  | <u>-</u>   |

**Factors affecting tax charge for the period/ year**

The tax assessed for the financial period/ year is higher than (*year ended 2 July 2017: equal to*) the standard rate of corporation tax in the UK of 19% (*2016: 19.75%*). The differences are explained below:

|  | <b>Financial<br/>period ended<br/>31 December<br/>2017<br/>£000</b> | <i>Financial<br/>year ended<br/>2 July<br/>2017<br/>£000</i> |
|--|---|--|
| Loss/ profit on ordinary activities before tax   | <u>-</u>  | <u>2</u>   |
| Loss/ profit multiplied by standard rate of corporation tax in the UK of 19% ( <i>year ended 2 July 2017: 19.75%</i> ) | <b>(19)</b>   | -  |
| <b>Effects of:</b>   |   |  |
| Expenses not deductible for tax purposes   | <b>220</b>  | 68   |
| Utilisation of tax losses  | <b>(201)</b>  | (68)   |
| <b>Total tax expense included in the income statement</b>  | <u>-</u>  | <u>-</u>   |

**Factors that may affect future tax charges**

The standard rate of Corporation Tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 19.00%.

On 6 September 2016, the UK Government substantively enacted Finance Act 2016 which included a reduction in the main UK corporation tax rate to 17% from 1 April 2020. No deferred tax has been recognised at the balance sheet date as the directors do not expect the temporary differences to reverse in the foreseeable future.

---

**XO1 LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

---

**10. Intangible assets**

|  | Licence<br>£000 |
|--|-----------------|
| <b>Cost</b>                              |                 |
| At 3 July 2017                           | 133             |
| Additions                                | -               |
| Disposals                                | -               |
|  | <hr/>           |
| At 31 December 2017                      | 133             |
|  | <hr/>           |
| <b>Accumulated amortisation</b>          |                 |
| At 3 July 2017                           | 28              |
| Amortisation during the financial period | 3               |
| Impairment charge                        | 102             |
|  | <hr/>           |
| At 31 December 2017                      | 133             |
|  | <hr/>           |
| <b>Net book value</b>                    |                 |
| At 31 December 2017                      | -               |
|  | <hr/> <hr/>     |
| At 2 July 2017                           | 105             |
|  | <hr/>           |

Following the financial period end, it was decided not to continue with XO1's research programme within the Johnson & Johnson group. This resulted in an impairment to the company's licence asset as shown in the table above.

**11. Trade and other receivables**

|                                    | 31 December<br>2017<br>£000 | 2 July<br>2017<br>£000 |
|------------------------------------|-----------------------------|------------------------|
| Amounts owed by group undertakings | 311                         | 1,039                  |
| Other receivables                  | -                           | 5                      |
|                                    | <hr/>                       | <hr/>                  |
|                                    | 311                         | 1,044                  |
|                                    | <hr/> <hr/>                 | <hr/> <hr/>            |

---

**XO1 LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

---

**12. Trade and other payables: amounts falling due within one year**

|                              | <b>31 December<br/>2017<br/>£000</b> | <b>2 July<br/>2017<br/>£000</b> |
|------------------------------|--------------------------------------|---------------------------------|
| Trade payables               | 42                                   | 500                             |
| Accruals and deferred income | 30                                   | 18                              |
|                              | <u>72</u>                            | <u>518</u>                      |

**13. Ordinary shares**

|   | <b>31 December<br/>2017<br/>£000</b> | <b>2 July<br/>2017<br/>£000</b> |
|---|--------------------------------------|---------------------------------|
| <b>Shares classified as equity</b>                              |                                      |                                 |
| <b>Allotted, called up and fully paid</b>                       |                                      |                                 |
| 125,276 allotted, called up and fully paid shares of €0.01 each | <u>1</u>                             | <u>1</u>                        |

**14. Events since the period end**

As explained in note 10 and the directors' report, following the financial period end, it was decided not to continue with XO1's research programme within the Johnson & Johnson group. This resulted in an impairment to the company's licence asset.