

Registration number: 04425595

Apitope Technology (Bristol) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

Pages for filing with Registrar



Apitope Technology (Bristol) Limited

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Apitope Technology (Bristol) Limited

Company Information

Directors Dr K F Martin
Apitope International NV

Company secretary E L Baldwin

Registered office Riverside Court
Beaufort Park Way
Chepstow
Gwent
NP16 5UH

Registered number 04425595

Auditors BDO LLP
Bridgewater House
Counterslip
Bristol
BS1 6BX

Apitope Technology (Bristol) Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Apitope Technology (Bristol) Limited

(Registration number: 04425595)

Balance Sheet as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	5	5,127	3,218
Current assets			
Debtors	6	139,988	146,006
Cash at bank and in hand	7	492,532	296,038
		<u>632,520</u>	<u>442,044</u>
Creditors: Amounts falling due within one year	8	<u>(2,580,822)</u>	<u>(1,659,008)</u>
Net current liabilities		<u>(1,948,302)</u>	<u>(1,216,964)</u>
Total assets less current liabilities		<u>(1,943,175)</u>	<u>(1,213,746)</u>
Provisions for liabilities	9	<u>(89,000)</u>	<u>(89,000)</u>
Net liabilities		<u>(2,032,175)</u>	<u>(1,302,746)</u>
Capital and reserves			
Called up share capital		2,908	2,908
Share premium reserve		2,266,259	2,266,259
Share option reserve		68,473	-
Profit and loss account		<u>(4,369,815)</u>	<u>(3,571,913)</u>
Total equity		<u>(2,032,175)</u>	<u>(1,302,746)</u>

The notes on pages 6 to 18 form an integral part of these financial statements.

Apitope Technology (Bristol) Limited

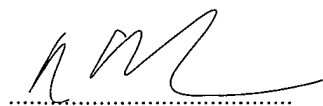
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Balance Sheet as at 31 December 2017 (continued)

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

These financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime and the option not to file the Profit and Loss Account has been taken.

Approved and authorised by the Board on 2nd July 2018 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'K F Martin', written over a dotted line.

Dr K F Martin

Director

The notes on pages 6 to 18 form an integral part of these financial statements.

Apitope Technology (Bristol) Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £	Share premium £	Share option £	Profit and loss account £	Total £
At 1 January 2017	2,908	2,266,259	-	(3,571,913)	(1,302,746)
Loss for the year	-	-	-	(797,902)	(797,902)
Total comprehensive income	-	-	-	(797,902)	(797,902)
Share based payment transactions	-	-	68,473	-	68,473
At 31 December 2017	2,908	2,266,259	68,473	(4,369,815)	(2,032,175)
	Share capital £	Share premium £	Share option £	Profit and loss account £	Total £
At 1 January 2016	2,908	2,266,259	-	(2,807,207)	(538,040)
Loss for the year	-	-	-	(764,706)	(764,706)
Total comprehensive income	-	-	-	(764,706)	(764,706)
At 31 December 2016	2,908	2,266,259	-	(3,571,913)	(1,302,746)

The notes on pages 6 to 18 form an integral part of these financial statements.

Apitope Technology (Bristol) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Statutory information

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is:

Riverside Court
Beaufort Park Way
Chepstow
Gwent
NP16 5UH

2 Accounting policies

Summary of significant accounting policies

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

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention.

Going concern

The company incurred operating losses of £774k (2016: operating losses of £788k) in the year ended 31 December 2017, and had net current liabilities of £1,948k (2016: £1,217k).

The company continues to research and develop treatments of allergy and autoimmune diseases, including multiple sclerosis and Graves' disease. The company's parent, Apitope International NV, has raised €4m of funds via the issue of convertible loans to investors since the year end. This will enable this research and development to continue for at least a year from the date of approval of these financial statements.

Apitope Technology (Bristol) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Going concern (continued)

The directors obtained confirmation from the directors of the company's parent, Apitope International NV, that it will provide such financial support as the company requires to meet its day to day working capital requirements for a period of at least 12 months following the approval of these financial statements. The directors are satisfied that Apitope International NV has sufficient cash reserves to meet this commitment. The company and parent directors are satisfied that beyond this period sufficient further funds will be generated to support the ongoing activities of the company. The directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Judgements

In preparing these financial statements, the directors have made the following judgements:

Going concern

Determine whether the company is able to operate for the foreseeable future. In assessing whether the going concern assumption is appropriate, the directors take into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue. Should the company not be a going concern, the amounts at which assets and liabilities are recognised may be need to be amended to reflect that it may not be able to realise its assets and discharge its liabilities in the normal course of business.

Provisions

Determine whether liabilities of uncertain timing or amount meet the recognition criteria for recognition in the accounts: that the liability exists at the balance sheet date as a consequence of a past event, that it is more likely than not that the company will be required to transfer economic benefits such as cash in settlement, and that the amount of the liability can be estimated reliably. The directors must also estimate the value required to settle the liability.

Share based payments

Share options are valued at grant using the Black-Scholes Valuation model. There is a degree of estimation and judgement made in valuing share based payments which are described in note 15.

Apitope Technology (Bristol) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Revenue recognition

Turnover from recharges to the parent company Apitope International NV is the value of qualifying costs incurred and any markup to which the company has entitlement, excluding value added tax. Turnover is recognised as rechargeable costs are incurred.

Grant income is recognised to the extent the company has entitlement under grant agreements with funders, the amount receivable can be reliably measured and it is probable that the company will receive the amount due, in line with the related underlying activity.

Foreign currency transactions and balances

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Apitope Technology (Bristol) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

Asset class	Depreciation method and rate
Office equipment	33% straight line
Computer equipment	25% straight line

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Trade debtors

Short term debtors are measured at transaction price, less any impairment.

Trade creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Apitope Technology (Bristol) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit and loss accounts over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss accounts is charged with fair value of goods and services received.

Provisions

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

Leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Apitope Technology (Bristol) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Defined contribution pension obligation

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employees' services are received.

Research and development expenditure

Research costs are charged to the profit and loss account in the year of expenditure. Development expenditure is charged to the profit and loss account in the year of expenditure.

Patent costs

Patent costs are written off to the profit and loss account when they are incurred.

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Apitope Technology (Bristol) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

3 Staff numbers

The average number of persons employed by the company (including directors) during the year, was 10 (2016 - 10).

4 Taxation

Tax credited in the profit and loss account

	2017	2016
	£	£
Current taxation		
UK corporation tax	<u>(42,231)</u>	<u>(58,665)</u>

Apitope Technology (Bristol) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

4 Taxation (continued)

The tax on loss before tax for the year differs from the standard rate of corporation tax in the UK of 19% (2016 - 20%).

The differences are reconciled below:

	2017 £	2016 £
Loss before tax	(840,133)	(823,371)
Corporation tax at standard rate	(159,625)	(164,674)
Effect of expense not deductible in determining taxable profit (tax loss)	20,974	119
Decrease in respect of a prior period - R&D tax credit	(42,231)	(58,665)
Tax increase (decrease) from effect of capital allowances and depreciation	(363)	2,978
Tax increase (decrease) from other short-term timing differences	220	(425)
Tax increase from effect of unrelieved tax losses carried forward	138,794	162,002
Total tax credit	(42,231)	(58,665)

At the year end, the company had unrelieved tax losses of £5,201,531 (2016 - £4,538,032). A deferred tax asset of £988,291 (2016 - £771,465) has not been recognised as uncertainty regarding the timing of sufficient future profits means the recognition criteria set in Section 29 of Financial Reporting Standard 102 have not been met.

Apitope Technology (Bristol) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

5 Tangible assets

	Computer equipment £	Office equipment £	Total £
Cost or valuation			
At 1 January 2017	11,968	5,798	17,766
Additions	4,021	-	4,021
Disposals	(2,756)	-	(2,756)
At 31 December 2017	<u>13,233</u>	<u>5,798</u>	<u>19,031</u>
Depreciation			
At 1 January 2017	8,750	5,798	14,548
Charge for the year	2,112	-	2,112
Eliminated on disposal	(2,756)	-	(2,756)
At 31 December 2017	<u>8,106</u>	<u>5,798</u>	<u>13,904</u>
Carrying amount			
At 31 December 2017	<u>5,127</u>	<u>-</u>	<u>5,127</u>
At 31 December 2016	<u>3,218</u>	<u>-</u>	<u>3,218</u>

Apitope Technology (Bristol) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

6 Debtors: amounts falling due within one year

	2017	2016
	£	£
Trade debtors	-	1,295
Other debtors	73,793	92,279
Prepayments and accrued income	66,195	52,432
	<u>139,988</u>	<u>146,006</u>

7 Cash and cash equivalents

	2017	2016
	£	£
Cash at bank	<u>492,532</u>	<u>296,038</u>

8 Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	92,349	81,510
Amounts owed to group undertakings	2,402,051	1,388,763
Social security and other taxes	17,793	16,692
Other creditors	3,206	2,885
Accruals and deferred income	65,423	169,158
	<u>2,580,822</u>	<u>1,659,008</u>

Apitope Technology (Bristol) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

9 Provisions

	Other provisions £	Total £
At 1 January 2017	89,000	89,000
At 31 December 2017	89,000	89,000

The company has an obligation to reimburse a supplier for certain costs when certain financial conditions are met, which the directors expect to be at some point within the next 10 years, depending on the company's performance.

10 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary of £0.001 each	2,908,697	2,909	2,908,697	2,909

11 Share-based payments

Scheme details and movements

At the year-end, 8 (2016 - 7) company employees held non-transferrable options over 641,597 (2016 - 280,483) shares in the company's parent Apitope International NV, under an HMRC approved EMI scheme. In addition, the suppliers and former company employees also held unapproved options over 265,560 (2016 - 146,678) shares in the company's parent.

Options vest over a three year period from grant: a third vest 12 months after the grant date, with the remaining two thirds vesting quarterly in eight equal parts. Options expire ten years after the date of grant, when an option holder ceases employment with the group, or after an acquisition of the parent company. There are no performance conditions attached to the options.

Options remaining at the year-end were granted between 2009 and 2017 and have exercise prices of between 50p and 89p per share.

Apitope Technology (Bristol) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Share-based payments (continued)

The movements in the number of share options during the year were as follows:

	2017 Number	2016 Number
Outstanding, start of period	427,161	427,161
Adjustments	(37,320)	-
Granted during the period	540,000	-
Lapsed during the period	(22,684)	-
Outstanding, end of period	<u>907,157</u>	<u>427,161</u>

The movements in the weighted average exercise price of share options during the year were as follows:

	2017 pence	2016 pence
Outstanding, start of period	63.39	63.69
Granted during the period	88.42	-
Lapsed during the period	(68.00)	-
Outstanding, end of period	<u>78.33</u>	<u>63.39</u>

The following information is relevant in the determination of the fair value of options granted during the current year under the equity-settled share based remuneration schemes operated by Apitope Technology (Bristol) Limited.

Weighted average share price at grant (£)	1.09
Weighted average exercise price (£)	0.89
Weighted average contractual life (days)	3,652.00
Expected volatility (%)	55.79
Weighted average risk free interest rate (%)	<u>1.62</u>

The Black-Scholes option pricing model was used to value the share based payment awards as it was considered that this approach would result in a materially accurate estimate of the fair value of options granted. The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last year of comparable publicly quoted companies.

Apitope Technology (Bristol) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

12 Financial commitments, guarantees and contingencies

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £5,164 (2016 - £33,415). There were outstanding contributions of £3,206 (2016 - 13,532) at the end of the financial year.

13 Auditor's information

The report of the auditor on the financial statements prepared for shareholders was signed on 3 May 2018 by Paul Putnam, Senior Statutory Auditor for and on behalf of BDO LLP, statutory auditor and was unqualified.