

Registered no: 3252665

Oxford BioMedica plc  
Report and Accounts  
for the year ended 31 December 1999



**Oxford BioMedica** has developed its expertise in gene transfer technologies to a point where it now encompasses three complementary commercial areas: Gene Therapy, Gene-based Immunotherapy, and Gene-based Drug Discovery

#### **GENE THERAPY**

The development of products that use genes as the direct mediators of a therapeutic effect. The genes may be delivered by engineered viruses or cells.

#### **GENE-BASED IMMUNOTHERAPY**

The development of products which deliver genes that recruit the patient's immune system to mediate a therapeutic effect.

#### **GENE-BASED DRUG DISCOVERY**

The use of state-of-the-art gene delivery technology to accelerate the discovery and development of new therapies outside the field of gene therapy.

### **Contents**

|           |                                      |
|-----------|--------------------------------------|
| <b>1</b>  | Chairman's Statement                 |
| <b>3</b>  | Technology Review                    |
| <b>9</b>  | Chief Executive's Report             |
| <b>13</b> | Board of Directors                   |
| <b>14</b> | Scientific Advisory Board            |
| <b>15</b> | Financial Review                     |
| <b>16</b> | Directors' Report                    |
| <b>19</b> | Report of the Remuneration Committee |
| <b>21</b> | Report of the Auditors               |
| <b>22</b> | Consolidated Profit and Loss Account |
| <b>23</b> | Balance Sheets                       |
| <b>24</b> | Consolidated Cash Flow Statement     |
| <b>25</b> | Notes to the Financial Statements    |
| <b>35</b> | Notice to the Shareholders re. CREST |
| <b>36</b> | Notice of Annual General Meeting     |
| <b>38</b> | Advisors                             |

## **Chairman's statement**

"I am delighted to report on Oxford BioMedica's third year, in which we have made great progress. Our first major collaboration, signed in December 1998 with Aventis (formerly RPR) has made a good start, and we look forward to a successful second year. Our first product, MetXia-P450™ is in a phase I/II clinical trial for late stage breast cancer, and we have received approval from the UK regulatory authorities for a trial of MetXia-P450™ in ovarian cancer. We have generated compelling preclinical data with our cancer vaccine TroVax™, and have had significant commercial interest in it from the pharmaceutical industry. The deal with the leading veterinary company Virbac in February 2000 for the animal homologue of TroVax™ is the first of several we expect this exciting programme to generate."

We have continued to pursue our strategy of placing BioMedica technology in as many product opportunities as possible, both through development of our own product pipeline, and also in partnership with others. Throughout the last three years our financial resources have been limited, and we have focused on taking our lead programmes in cancer therapy into the clinic, with our other programmes moving forward, but necessarily taking a lower profile. We have been active in seeking other companies in both the pharmaceutical and biotechnology industries with whom we can find additional paths to markets for our technology. Our deals with Modex for a diabetes product, with IDM for cell therapy products, and the establishment of a joint venture with Viromed in Korea create new opportunities in multi-billion dollar markets in a highly cost-effective way. We have also targeted the pharmaceutical industry's drug-discovery programmes arising from their huge investment in genomics and proteomics as a way of further leveraging the value in our gene-delivery systems, and now have three deals in this area.

A growing part of our portfolio of products and product opportunities involves the induction of immune responses to fight disease. TroVax™ is the most immediate of these, but we also have programmes with great potential in the use of therapeutic antibodies and antibody derivatives delivered as genes. Our collaboration with IDM provides further opportunities in this field.

All this has resulted in our building a broad base from which we expect to generate future earnings. We have the opportunity for short-term revenues from making our technology available to the pharmaceutical industry's drug discovery process, and also have substantial long-term potential for milestone and royalty earnings from our own and our partners' product programmes.

This diverse commercialisation of our technology means that we are not dependent for our commercial success on any single programme. We recognise that the drug development process is inherently risky, and

the exciting long-term returns from successful gene-based products in major therapeutic markets will be an appropriate return for this risk. Our strategy ensures that we mitigate this risk by taking a wide range of paths to those markets, and that we have a spread of short-term and long-term revenue opportunities.

The climate for funding small biotechnology companies has been, to say the least, unfavourable over the last three years. Nonetheless, the one-for-five rights issue at 15p per share in March 1999 was successfully taken up, and provided over £3 million additional working capital. I am pleased to see signs that investors are now returning to the UK biotechnology sector, and to Oxford BioMedica in particular. Our institutional share placing in January 2000 at 38p per share which raised £5 million was heavily oversubscribed, and the subsequent rise in price has benefited all our shareholders. In mid-January 2000 the Company's market capitalisation was above £100 million (\$160 million) for the first time.

We welcomed two additional non-executive directors to the board in 1999. Mark Berninger and Peter Johnson bring invaluable experience in business development, intellectual property management and pharmaceutical product development to the Company.

In closing, I would like to thank our shareholders, old and new, who have supported us through the last 3 years. I look forward to further exciting developments in 2000, including our planned move up from the Alternative Investment Market to the official list of the London Stock Exchange.

Alan Goodman  
Chairman

## **GENE THERAPY**

BioMedica's Gene Therapy programmes cover products designed to treat cancer, AIDS, neurodegenerative disease and cardiovascular disease. In each case the gene that is delivered causes the patient's cells to act as an internal factory for therapeutic proteins or RNA molecules. These proteins or RNA molecules then have a direct therapeutic effect on the disease under treatment.

## **CANCER**

The Company's first product to enter clinical development, MetXia-P450™, is designed to enhance the efficacy of cyclophosphamide, a drug that is currently used as an anti-cancer agent in patients with a wide range of tumour types. The product delivers a gene (CYP2B6) to the tumour that leads that tumour to activate cyclophosphamide. The drug, when activated, becomes a potent cytotoxic (cell killing) molecule that destroys the tumour cells. MetXia-P450™ has proven to work well in preclinical models and is in clinical development in breast cancer patients and ovarian cancer patients.

BioMedica sees MetXia-P450™ as the beginning of a product series that uses novel drug activation systems to destroy cells primarily in tumours but also in cardiovascular disease and inflammatory diseases such as arthritis. In addition, in preclinical studies, the Company has recently shown that its MacroGen® technology can target the CYP2B6 gene to tumours using macrophage-based cell therapy.

## **AIDS**

BioMedica's product, ImmStat®, for the treatment of AIDS and HIV infection is one of the most innovative approaches currently available. It makes use of derivatives of HIV to deliver anti-HIV genes to the cells of the immune system that would normally be infected by the virus. The anti-HIV genes prevent virus reproduction and thereby reduce the amount of virus in the patient. This strategy is designed to reduce the need for toxic and expensive drug therapies. The product is in preclinical development.

## **NEURODEGENERATIVE DISEASE**

The Company's LentiVector® technology has proved to be extremely efficient at delivering genes to the brain without any detectable adverse side effects. This has enabled BioMedica to progress its product for Parkinson's disease, ProSavin®, through preclinical development. The product delivers three genes that together create a new cellular factory, in the patient's brain, for the neurotransmitter dopamine which is missing in Parkinson's disease patients.

## **CARDIOVASCULAR DISEASE**

The Company's collaboration with Aventis (formerly called RPR) in the field of cardiovascular disease is progressing well. The programme is designed to produce novel products for the treatment of coronary disease and peripheral arterial disease where blood flow is restricted. The product uses Aventis technology to induce the growth of new blood vessels to replace damaged vessels in the heart and the leg. BioMedica's hypoxia response element is used to target the product's activity and so avoid adverse effects.

## **GENE-BASED IMMUNOTHERAPY**

In infectious diseases and cancer the immune system plays a key part in fighting the disease. However, in many cases the immune response to disease is inadequate. Oxford BioMedica's gene-based immunotherapy products are designed to induce new therapeutic immune responses or augment the natural response to disease by delivering genes that produce proteins that interact with the immune system. The initial focus of this technology is cancer.

### **TROVAX™: A THERAPEUTIC CANCER VACCINE**

The goal of inducing potent immune responses against cancer has been the focus of many studies over the past ten years or so. Two developments make this a real possibility now. The first is the identification of proteins that are found on tumour cells and not on normal tissue. These tumour-associated antigens (TAAs) act as markers that signal to the immune system that a cell is a cancer cell. The second is a technology that makes use of poxviruses to induce the immune system to mount a strong response against the TAA.

BioMedica has an advanced programme aimed at identifying new TAAs and the initial focus is on a TAA designated OBA1. The Company has the gene for OBA1 and this has been engineered into a poxvirus-based delivery system to produce TroVax™. A clinical survey has shown that OBA1 is present on more than 75% of human solid tumours. This means that the product could be used in a wide range of cancers including breast cancer, ovarian cancer, colorectal cancer and non-small cell lung cancer. The product could be used alone or in combination with other therapies.

Preclinical results with TroVax™ have been very exciting. Strong immune responses have been observed and in two different tumour models TroVax™ has been shown to dramatically reduce tumour growth and tumour cell colonisation, a process analogous to metastatic spread. These data form the basis of regulatory submissions for clinical trials to begin in Q4 2000. The initial Phase I/II trial will be in patients with colorectal cancer. A version of this product to treat cancer in companion animals is being developed through our collaboration with Virbac.

### **GENE-BASED ANTIBODY THERAPY**

Antibody therapy has been a key part of the biotechnology industry since its inception and the recent launch of a number of antibody products has demonstrated the power of these molecules. BioMedica has a strong proprietary position on the genetic delivery of antibodies and antibody derivatives. The concept is to create an antibody factory in the patient by delivering the gene for the antibody to selected sites. In essence the approach creates a specific immune capability in a patient via gene delivery.

The Company is developing products in this field that are complementary to its vaccine product. These new products are based on a high affinity single-chain antibody (scFv) against OBA1. Genes encoding both the scFv alone and a fusion of the scFv linked to a protein component that recruits cells of the immune system to destroy the tumour have been constructed. Preclinical data show that the anti-OBA1 scFv and its derivatives are effective against solid tumours. The products are now moving towards clinical development.

Following on behind the OBA1 scFv (OBAb1) is an antibody (OBAb2) directed against a protein found on many tumours derived from epithelial cells. BioMedica is developing new products based on genes encoding this antibody.

## **DRUG DISCOVERY**

Over the last five years we have seen a revolution in the use of genetics in drug discovery by the pharmaceutical industry. Efficient gene delivery is central to the full exploitation of this approach. It is used to refine screening technologies, validate candidate genes and create disease models for drug testing. Oxford BioMedica's gene delivery technology is ideally suited to these important tasks.

## THE USE OF GENETICS IN DRUG DISCOVERY

There is a common belief within the pharmaceutical industry that the best strategic approach to developing new drugs is to understand the genetic basis of disease. If a gene and its protein product can be mechanistically linked to a disease it can be used as the focus of effort which aims to create a new therapy. In some cases, such as cystic fibrosis, the relationship between gene and disease is clear. A single mutation in the *CFTR* gene is the cause of the disease. However, these simple genetic deficiency diseases are relatively rare. In most conditions, such as cancer, heart disease or neurodegenerative disease, many genes contribute to the causative mechanism. The challenge is to identify those genes. The initial step in this process is to identify genes that are associated with the target disease. This has led the pharmaceutical industry to spend hundreds of millions of dollars on genomics and proteomics collaborations. However, although the genomics and proteomics technologies are extremely powerful, they only provide correlative data not causative, mechanistic links between genes and disease processes. The second challenge in this field is therefore to find, amongst the genes identified by genomics and proteomics, those genes with a mechanistic link to the disease. This process is known as target validation. It involves validating a candidate gene as an appropriate focus for the expensive process of drug discovery and development. It represents a bottleneck in the pharmaceutical industry between the huge amount of available genetic data and the development of products from that information.

The process of target validation involves placing a candidate gene into a cell *in vitro* or *in vivo* and then asking if that gene causes an effect that can be recognised as part of the disease process. The details will vary from disease to disease. The key to this approach being successful

is that the gene transfer must be efficient and that the method of delivering the gene must not be toxic to the cell or the tissue. Any toxic side effect could mask the effect of the gene. In short, one needs efficient gene delivery with no toxicity. These are exactly the same requirements as for a gene therapy product. Therefore, in developing some of the most efficient and safe gene therapy systems available, BioMedica has also generated an efficient system for target validation which meets the pharmaceutical industry's need to solve the problem of the drug discovery bottleneck. This fast track approach to gene target validation adds value to the drug discovery process by being both cost and time-effective and by reducing spending on irrelevant high-throughput screening efforts.

## LENTIVECTORS®

Among the various gene delivery technologies available, the Company's LentiVector® technology stands out as a system perfectly suited to target validation. Gene delivery vectors based on equine infectious anaemia virus (EIAV) deliver genes to primary cells with high efficiency and no detectable toxicity. Gene expression lasts for many months and it is easy to impose control circuits on the transferred gene. For these reasons BioMedica is pursuing several approaches from large pharmaceutical companies to provide LentiVector® technology for target validation.

## OTHER OPPORTUNITIES

In addition to target validation BioMedica's gene transfer technologies can be used to enhance genomic and proteomic screens, to generate novel gene libraries, to identify genes for gene therapy and drug discovery and to create stable disease models without the need to create transgenic animals.

## **Chief Executive's Report**

"This has been a landmark year for Oxford BioMedica. Our first product has entered clinical trials, a second product is in clinical development, revenues have increased 9-fold, new collaborations have been formed and since the year-end our market capitalisation has broken through the £100 million mark. The Company has come of age and is set for a strong and successful future."

## PATHS TO MARKETS

The discovery and development of new pharmaceutical products is inherently risky. Although modern bioscience is extremely powerful and has huge commercial potential the gaps that exist in our knowledge of living systems result in the uncertainty that we are all familiar with in the biotech and pharmaceutical sector. Managing that risk is a key responsibility of a biotech management team and it is a challenge that the BioMedica team meets head-on.

The Company's strategy has been to distribute its technology and product components across as broad a spectrum of product opportunities as possible. It has done this by developing a range of in-house products and by establishing collaborative programmes with both large and small companies. This means that the intrinsic value of the Company is high and no single product represents the majority of that value. BioMedica is robust in the context of the vagaries of pharmaceutical product development.

Illustrations of this strategy are the deals that have been established with Aventis, Modex, IDM, Virbac and Viomed. Since the Company's inception it has developed products that provide credible paths to the cancer, AIDS and neurodegenerative disease markets. The Aventis hypoxia response element collaboration provides a tangible path to cardiovascular disease markets. The Modex deal

gives us access to the diabetes market. The IDM deal establishes BioMedica as a major player in cell-based therapy with many product opportunities in cancer, infectious disease and inflammatory disease. The Virbac collaboration places our cancer immunotherapy into the veterinary product field and the joint venture with Viomed in Seoul gives us a clinical and commercial base in the Far East, establishing a position from which to access some of the fastest growing markets in the world.

In addition to these product-based deals BioMedica has seen a substantial increase in interest in the use of gene therapy technology for drug discovery programmes. Gene delivery technology can be used in a variety of ways to enable companies to sort out the mass of information generated from genomics and proteomics. BioMedica has established collaborations with Aventis (RPR) and, in February 2000, with AstraZeneca in the field of drug discovery and the formation of a drug discovery unit in BioMedica is designed to maximise the commercial opportunity in this area.

Overall, therefore, BioMedica has broadened its commercial scope enormously and the Company will continue to pursue this strategy. BioMedica has broad technologies and products which provide routes to major pharmaceutical markets.

# Chief Executive's Report continued

“ There have been a number of very exciting technical developments during the year that will feed our product pipeline in the near future. ”

## CLINICAL PROGRESS

MetXia-P450™ is in Phase I/II clinical trials for breast cancer (BC1) and the Company has received approval from the UK Gene Therapy Advisory Committee (GTAC) and the Medicines Control Agency (MCA) to proceed with the testing of this product in ovarian cancer patients (OC1). The OC1 trial will start during the first half of 2000. Consistent with our policy of open information dissemination, preclinical data supporting these trials was presented at the American Association of Cancer Research in April 1999 and at the American Society of Gene Therapy conference held in Washington in June 1999. Both presentations were very well received.

Over the last year the preclinical data portfolio for the Company's therapeutic anti-cancer vaccine, TroVax™, has been assembled. These data form the basis of our recent submission to GTAC for approval to proceed to a Phase I/II clinical trial in patients with colorectal cancer. The trial will be conducted at the Christie Hospital in Manchester, UK. The same data portfolio is being used to enhance our ability to negotiate collaborative deals with pharmaceutical companies interested in TroVax™. Four major companies are contenders for a collaborative programme. Results demonstrating that TroVax™ prevents tumour colonisation and spread in preclinical models were presented at an international conference in Schloss-Elmau in Germany in January last year.

## TECHNICAL DEVELOPMENTS

There have been a number of very exciting technical developments during the year that will feed our product pipeline in the near future. Two aspects of the Company's programmes are worthy of special mention.

The Company's LentiVector® technology goes from strength to strength. Efficiencies of gene transfer to a range of primary cells have increased several-fold over the past twelve months as the vectors have been refined by the Company's molecular biology team. This has resulted in the Parkinson's disease programme progressing well through preclinical work and some of these data were published in the journal 'Gene Therapy' in November 1999. The technology has also been the focus of two corporate collaborations in the field of target validation and, as the Company reported at the 'Gene Therapy: The Next Millennium' conference held in Colorado in January 2000, the LentiVectors® have strong potential in the construction of novel products for cancer.

Recently, in February of this year, BioMedica published results from its MacroGen® programme. MacroGen® uses macrophages, a type of cell from the immune system, to deliver gene-based therapies selectively to tumours, occluded blood vessels or regions of inflammation such as arthritic joints. Until last year this technology was not far beyond being just a bright idea. During 1999 the Company's scientists showed that it worked *in vitro* and more recently *in vivo* for tumour therapy. MacroGen® is now proceeding through preclinical development and it may be one of the first products to be

developed in collaboration with our new partners IDM of Paris. IDM have a clinically approved cell processor for removing macrophages from patients, manipulating them and then reintroducing them. BioMedica's MacroGen® will be used to place therapeutic genes into the macrophages prior to their being reintroduced into the patient. This places BioMedica at the forefront of cell-based therapy.

#### **INTELLECTUAL PROPERTY**

BioMedica's intellectual property portfolio continues to grow. During the year the US patent covering broad usage of the hypoxia response element was issued and prosecution in the rest of the world is going well. Other patent applications are going through examination and we have made good progress with the LentiVector® patent families, other gene delivery technologies and patents covering our therapeutic genes.

In December, the Company announced the acquisition of rights to an anti-tumour antibody, designated OBAb2, and its cognate gene. OBAb2 has been shown to bind epithelial cell tumours ten-times more efficiently than any other antibody that is currently available. This will go into the preclinical gene-based immunotherapy programme.

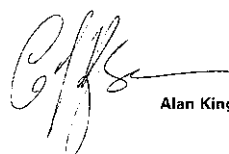
The Company will continue to pursue an aggressive patent prosecution and technology acquisition policy.

#### **THE FUTURE**

In order to maximise shareholder value in BioMedica the Company must grow. There has been much speculation and debate about consolidation in the biotech sector. The Company has been quoted in the press as being 'interested in consolidation and an active player during 2000'. The directors are constantly reviewing opportunities and will act where there is a clear commercial rationale that will enhance shareholder value. These are exciting times in the sector. In addition we are in discussion with the London Stock Exchange (LSE) over the Company moving up from AIM to the official list of the LSE. We expect to meet the Exchange's requirements this year.

The dedication and enthusiasm of our staff is exceptional. Over the past two years our technical and clinical output set against the modest level of funding has been extraordinary. There are very few biotech companies in the world that have achieved the efficiency and productivity of BioMedica. It is nice to see that effort being rewarded in the recognition of the value of the Company in recent weeks and the enthusiasm for participation in the recent share placing that raised £5 million. The Company will maintain this efficiency as it moves forward and grows into a strong sustainable business.

Finally, I would like to add my thanks to our long-standing shareholders for their support and I welcome our new shareholders that joined us in January of this year.



Alan Kingsman Chief Executive

## Board of Directors

### **Alan Goodman** - Non-Executive Chairman

Alan Goodman has extensive experience of establishing and managing biotechnology companies. He was a founder and Chief Executive of Peptide Therapeutics Group plc and has held directorships with Chiro Ltd (subsequently Celltech Chiroscience), other biotech companies and investment groups. He is also Chairman of CeNeS Pharmaceuticals plc.

### **Alan Kingsman MA PhD** - Chief Executive

Professor Alan Kingsman, co-founder of Oxford BioMedica, is an internationally recognised authority on gene expression and retrovirus research and has over 19 years' experience in this field. He has acted as an advisor or consultant to UK research councils, WHO and a number of UK and international companies.

### **Susan Kingsman MA PhD** - Research Director

Professor Susan Kingsman, co-founder of Oxford BioMedica, has over 19 years' experience in virology, gene expression and retrovirus biology. She has advised several research council boards and committees and has been a consultant for Glaxo Wellcome, British Biotech and Delta Biotechnology.

### **Neill MacKenzie PhD** - Business Development Director

Dr Neill MacKenzie brings extensive pharmaceutical research and development experience to Oxford BioMedica. He led the immunology division of Coopers AH Limited (a Wellcome, ICI joint venture) and subsequently joined Pitman Moore Europe. More recently he founded and managed his own biotechnology consultancy business, Biotech Developments.

### **Andrew Wood** - Finance Director

Andrew Wood joined Oxford BioMedica from the Yorkshire Cable Group where he managed financial operations. Previously, he has held senior positions at the Burton Group, Associated Newspapers, and J Fenner & Co. He is a Chartered Accountant and holds a first class degree in Biochemistry from Oxford University.

### **Andrew Allars** – Non-Executive Director

Andrew Allars is a Director of Prelude Trust plc. Since joining Prelude in 1990, he has been closely involved in several start-up biotechnology companies including Peptide Therapeutics Group plc, CeNeS Pharmaceuticals plc and Quadrant Healthcare plc. He has over 19 years experience in international marketing and corporate finance within the bioscience industry,

### **Mark Berninger** – Non-Executive Director

Mark Berninger has wide experience in the biotechnology industry in the US, including as Vice-President of Business Development at Genetic Therapy Inc. (GTI). Prior to joining GTI he held a similar position at Gen-Probe Inc. and was director of intellectual property and technology acquisition at Life Technologies Inc. between 1989 and 1995.

### **Peter Johnson PhD** – Non Executive Director

Dr Peter Johnson has extensive R&D experience with Wellcome, Hoechst, SmithKline, Fisons and Astra. He was formerly Chairman and Managing Director of SmithKline and French Research Ltd and group main board director of R&D worldwide for Fisons. A former Director of Proteus Molecular Design, he is currently Chairman of CBAMS Ltd and Sterix Ltd, and a Non-Executive Director of Quadrant Healthcare plc.

## Scientific Advisory Board

**Professor Mary Collins** is Professor of Immunology at the Department of Immunology based at the Windeyer Institute for Medical Research at University College London. She has made major research contributions in the areas of retrovirus biology and tumour biology and has also been closely involved in a gene therapy trial. Her team is collaborating with the Company to develop improved vector production strategies.

**Professor Adrian L Harris BSc, DPhil, MBChB, FRCP** is Professor of Clinical Oncology and Director of the Imperial Cancer Research Fund Oncology Unit at the Institute of Molecular Medicine, John Radcliffe Hospital, Oxford. A leading authority on cancer therapies, including gene therapy, Professor Harris provides strategic clinical direction for the development of gene-based therapeutics for optimal integration with current and new anti-cancer treatment regimes. He is the Principal Investigator in BioMedica's BC1 phase I/II clinical trial of MetXia-P450™ in breast cancer.

**Professor Chris F Higgins FRSE** is Director of the MRC Clinical Sciences Centre and Professor and Head of Division of Clinical Sciences, Imperial College School of Medicine. He is one of the UK's leading molecular biologists and has managed one of the first gene therapy trials in the UK. His team is involved in a multi-centre collaboration in cystic fibrosis research.

**Professor David J Sherratt FRS** is the Iveagh Professor of Microbiology in the Department of Biochemistry, University of Oxford. He has made major contributions to the understanding of the mechanisms that lead to DNA rearrangements and the processes that maintain genome integrity and lead to stable genome inheritance. He is also responsible for the design of recombinant DNA vectors and for exploiting genetic recombination to mediate programmed genetic change. He advises the Company in these areas, particularly with regard to the improvement of gene delivery systems, their DNA targeting and controlled gene expression.

**Professor Ian J Stratford** is Professor of Pharmacy at the School of Pharmacy and Pharmaceutical Sciences at the University of Manchester. He is a leading authority on tumour physiology. The work of his laboratory

focuses on exploiting the presence of hypoxia in tumours for therapeutic benefit. His team brings together expertise in drug design and discovery with that of cell, molecular and tumour biology. This group is working with the Company to develop and optimise hypoxia-mediated gene therapy approaches.

**Dr Peter L Stern** is Head of the Cancer Research Campaign's (CRC) Department of Immunology at the Paterson Institute for Cancer Research. He is an expert in tumour immunology and is involved in numerous international collaborations in research and clinical oncology. His team is working with the Company to develop novel tumour targeting technologies that have been licensed to Oxford BioMedica by CRC's technology transfer company.

**Professor David J Waxman** is Professor of Cell and Molecular Biology at Boston University and Professor of Medicine at Boston University, School of Medicine. He is a leading authority on cytochrome P450 enzymes and genes, and on their role in metabolism leading to bioactivation of anti-cancer drugs. He has made major contributions to the development of P450-based prodrug activation strategies for cancer gene therapy, and he is working with Oxford BioMedica to carry these P450-based technologies through to the clinic.

**Professor Jonathan Weber FRCP** is Head of the Department of Genitourinary Medicine and Communicable Diseases at Imperial College School of Medicine, and a consultant physician at St. Mary's Hospital, London. He is one of the UK's leading AIDS clinicians and manages a major AIDS research and clinical trials centre. He is advising the Company on the management and strategic implementation of clinical trials of the Company's ImmStat(CO)™ product.

**Professor Robin Weiss HonMRCP FRCPATH FRS** is Professor of Viral Oncology at the Windeyer Institute of Medical Sciences, University College London. He is an internationally recognised expert in retrovirus biology, and his research has led the field in many areas including the design of viral vector systems and in the design of strategies for controlling HIV infection and AIDS. He advises the Company across the range of its activities in cancer, AIDS and retrovirus biology.

# Financial review

We continued through 1999 to maintain strong financial control, and to operate within our budgets. The net loss for the year was £4.2 million compared to £3.7 million in 1998.

## Profit and loss account

Income of £436,000 (1998: £50,000) included research funding from the cardiovascular disease programme with Aventis (formerly called RPR) and license income from Modex, both of which were new in 1999.

Operating expenses were £5.1 million, of which research and development costs were £3.8 million. The increase from 1998 (operating expenses £4.2 million, research and development expenditure £3.0 million) reflects our increased activity, particularly in preclinical development. Administrative expenses were £1.3 million, compared to £1.2 million in 1998. Grant income, which is linked to certain research and development projects, was £0.3 million (1998: £0.2 million).

As a result of the Group's substantial cash balances, interest receivable on bank deposits was £0.2 million (1998: £0.3 million). The Group's approach to risks associated with these deposits is described in note 1 to the financial statements.

There was no tax charge, and the Group's tax losses are available for offset against future taxable profits.

## Cash reserves

Capital expenditure was modest at £0.4 million (1998: £0.2 million), and the net outflow of funds before new share issues was very close to 1998's level at £3.7 million. The rights issue in March 1999 generated £3.2 million after costs. The bank balance at 31 December 1999 was £3.0 million. Subsequent to the year end this was supplemented by the placing of 13.7 million shares in January 2000 which raised a further £5.0 million net of costs.

## Outlook

The share placing has provided additional working capital to support continuing research, development and clinical programmes. Since it is our commercial strategy to proceed with the clinical development of candidate products up to and including Phase I/II clinical trials, the Company will require to raise further funds in due course. We expect that during the current year we will qualify to move the Company's shares from AIM to the official list of the London Stock Exchange.



Andrew Wood  
Finance Director

# Directors' report

## for the year ended 31 December 1999

The directors present their report and the audited financial statements for the year ended 31 December 1999.

### Principal activity

The principal activity of the Group is the development and application of novel technologies in the field of gene-based therapeutics to treat a range of diseases including cancer, AIDS and neurodegenerative disease.

### Review of the business and future developments

The consolidated profit and loss account for the year is set out on page 22. A review of the Group's activities and future developments is contained within the chairman's statement on pages 1 and 2, the chief executive's report on pages 9 to 12 and the financial review on page 15.

### Dividends

The directors do not recommend payment of a dividend.

### Post balance sheet event

Subsequent to the year end, on 14 January 2000 the Company placed 13,700,000 ordinary shares of 1p each with financial institutions at 38p per share raising net proceeds of £5.0 million.

### Group research and development activities

During the year the Group incurred expenditure of £3,764,000 on research and development (1998: £2,982,000), all of which was written off to the profit and loss account.

### Directors

The directors of the Company at 31 December 1999, who have been directors for the whole of the year then ended unless otherwise stated, were:

|                            |   |
|----------------------------|---|
| Mr Andrew Allars           | Non-executive director                              |
| Mr Mark Berninger          | Non-executive director (appointed 12 February 1999) |
| Mr Alan G Goodman          | Non-executive chairman                              |
| Dr Peter Johnson           | Non-executive director (appointed 26 July 1999)     |
| Professor Alan J Kingsman  | Chief executive                                     |
| Professor Susan M Kingsman | Research director                                   |
| Dr Neill M MacKenzie       | Business development director                       |
| Mr Andrew B Wood           | Finance director                                    |

The interests of the directors at 31 December 1999 in the share capital of the Company are disclosed in the report of the remuneration committee on pages 19 and 20.

### Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgement and estimates have been made in the preparation of the financial statements for the year ended 31 December 1999. The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records, that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Substantial shareholdings

At 14 February 2000 the Company had been notified of the following shareholdings amounting to 3% or more of the ordinary share capital of the Company.

| Shareholder  | Number of<br>ordinary<br>shares | Percentage of<br>issued share<br>capital |
|--|---------------------------------|--|
| Prelude Trust plc  | 19,266,667                      | 12.35%                                   |
| Professor Susan M Kingsman <sup>1</sup>                          | 10,092,000                      | 6.47%                                    |
| Professor Alan J Kingsman <sup>1</sup>                           | 9,942,000                       | 6.38%                                    |
| The Equitable Life Assurance Society                             | 9,939,747                       | 6.37%                                    |
| The Chancellor, Masters and Scholars of the University of Oxford | 9,882,000                       | 6.34%                                    |
| Sir Brian M Richards   | 6,630,000                       | 4.25%                                    |
| Alan G Goodman <sup>2</sup>                                      | 6,058,000                       | 3.88%                                    |
| SOFIPA International SA  | 6,000,000                       | 3.85%                                    |

<sup>1</sup> Includes 210,000 ordinary shares held jointly by Professor Alan J Kingsman and Professor Susan M Kingsman.

<sup>2</sup> Includes 5,980,000 ordinary shares held by a company of which Alan G Goodman is a controlling shareholder.

No other person has notified an interest in the ordinary shares of the Company required to be notified to the Company.

### Year 2000

The Company had evaluated the risks associated with the year 2000 in 1998 and found no computer systems or equipment likely to require attention. No disruption or malfunctions have occurred since the turn of the year arising from year 2000 related failures. The expenditure on year 2000 issues was not significant.

### Creditor payment policy

The Company and its subsidiary agree the terms of payment when agreeing the terms and conditions for their transactions with suppliers. Payment is made in compliance with those terms, subject to the terms and conditions of the relevant transaction having been met by the supplier. The Group's average creditor payment period at 31 December 1999 was 30 days (1998: 20 days).

### Corporate governance

#### *Principles of corporate governance*

The policy of the board is to manage the affairs of the Company in accordance with the principles of good governance and the code of best practice as set out in the combined code annexed to the listing rules of the London Stock Exchange. Although the combined code applies only to companies fully listed on the London Stock Exchange and not to companies listed on the Alternative Investment Market of the London Stock Exchange, Oxford BioMedica has adopted the combined code as if it is a company fully listed on the London Stock Exchange.

With reference to provision D.2.1 of the combined code (effectiveness of systems of internal controls), the Turnbull report containing guidance for directors was issued in September 1999. Compliance with this guidance for accounting periods ending on or after 23 December 2000 is mandatory under the combined code. For the year ended 31 December 1999 the Company has adopted the transitional approach permitted by the London Stock Exchange. Throughout 1999 the Company continued to comply with the guidelines on internal financial controls issued by the Rutterman Working Group. The Company will therefore not report specifically on the internal control provision D.2.1 of the combined code in this report. The Company has now established the procedures necessary to implement the guidance in the Turnbull report.

#### *Compliance with the principles and provisions of the code*

##### Board meetings and responsibilities

The Company is led and controlled by a board consisting of executive and non-executive directors with wide experience. The directors do not consider it necessary to have a nomination committee as suggested by provision A.5.1 of the combined code. The appointment of directors is therefore considered by the whole board. In accordance with the articles of association, at each annual meeting one third of the directors for the time being (or if their number is not a multiple of three the number nearest to but not exceeding one third) must retire from office by rotation. The board considers all of the non-executive directors to be independent of management, notwithstanding any interests in the share capital of the Company that they may have. The Company has not appointed a senior independent director as required by provision A.2.1.

The board meets regularly and at least eight times per year. There is a formal schedule of matters reserved to the board for its decision. The board is supplied on a timely basis with information sufficient for it to discharge its duties and all directors have access, as required, to independent professional advice.

The board has a remuneration committee, the report of which is on pages 19 and 20. There is also an audit committee consisting of two non-executive directors, Mr Andrew Allars and Mr Alan Goodman (chairman). The audit committee does not comprise three non-executive directors as required by provision D.3.1 of the combined code. The audit committee examines and reviews internal financial controls, financial and accounting policies and practices, the form and content of financial reports and statements, and the work of the external auditors. The chief executive and finance director may be in attendance at meetings.

#### Internal financial control

The board of directors has overall responsibility for ensuring that the Group maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used by the business and for publication, and that assets are safeguarded. There are inherent limitations in any system of internal financial control and accordingly even the most effective system can only provide reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets. The key features of the internal financial control systems that have been established are as follows:

- An organisation structure with clearly defined responsibilities.
- A comprehensive system of financial reporting. Detailed forecasts, including profit and loss account, balance sheet and cash flow information are prepared and approved by the directors at the start of the financial year. Full management accounts are produced each month for comparison against budget by both the management and the board. A forecast of the outcome for the full year is produced at the mid-year and other forecasts are prepared as necessary.
- Accounting controls. The Company has clearly laid down accounting policies and procedures.
- Quality of personnel. The Company is committed to employing appropriately qualified and experienced staff capable of implementing the financial control systems.

#### Going concern

In the light of the share placing subsequent to the year end and after making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements.

#### BIA code

The UK BioIndustry Association ("BIA"), of which the Company is a member, adopted a code of best practice on 20 October 1999. The BIA code includes principles and provisions relating to corporate governance matters, access to external advice, confidentiality, dealings in the Company's shares and standards of public announcements. It is intended to operate by reference to the particular circumstances of bioscience companies in support of the combined code and the rules of the London Stock Exchange. Throughout 1999 the Company has complied with the relevant provisions of the BIA code.

#### CREST

Details of the proposed entry of the Company's shares into CREST are set out on page 35. A directors' resolution to enable the Company's ordinary shares to join CREST was passed on 21 February 2000, and it is expected that the Company will join the CREST system on 6 March 2000. Members of the Company may within 60 days of the passing of the directors' resolution, resolve by ordinary resolution that the directors' resolution shall cease to have effect.

#### Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the Company will be proposed at the annual general meeting.

By order of the board



Andrew Wood  
Company Secretary  
25 February 2000

# Report of the remuneration committee

The remuneration committee comprises two non-executive directors, Mr Andrew Allars and Mr Alan Goodman (chairman). It determines, on behalf of the board, the Company's policy for executive remuneration and the individual remuneration packages for the executive directors including the grant of share options. The chief executive may be in attendance at the meetings of the remuneration committee. The committee has access to professional advice, both inside and outside the Company.

In setting the Company's remuneration policy, the remuneration committee considers a number of factors, including:

- the basic salaries and benefits available to executive directors of comparable companies;
- the need to attract and retain directors of an appropriate calibre;
- the need to ensure executive directors' commitment to the continued success of the Company by means of incentive schemes.

## Remuneration of non-executive directors

The fees paid to the non-executive directors are determined by the board. Non-executive directors do not participate in the Company's share option schemes, nor do they receive pension contributions or a bonus.

The chairman and other non-executive directors have appointments that are for 3 years unless terminated by 3 months' written notice by either party.

## Remuneration of executive directors

The executive directors' service contracts are for a fixed period of one year and continue thereafter unless terminated by 12 months' written notice.

The Company makes contributions to defined contribution personal pension schemes for the executive directors. There is a bonus scheme for executive directors which is designed to incentivise them to perform at the highest levels and to align their interests with those of shareholders.

## Directors' remuneration

Details of individual directors' emoluments for the year are as follows:

| Name of director             | Salary<br>and fees<br>£ | Bonus<br>£    | Benefits<br>£ | Pension<br>contribution<br>£ | Year ended                        | Year ended                        |
|------------------------------|-------------------------|---------------|---------------|------------------------------|-----------------------------------|-----------------------------------|
|                              |                         |               |               |                              | 31 December<br>1999<br>Total<br>£ | 31 December<br>1998<br>Total<br>£ |
| <b>Executive</b>             |                         |               |               |                              |                                   |                                   |
| Professor Alan J Kingsman    | 93,528                  | 8,653         | 645           | 8,653                        | <b>111,479</b>                    | 99,086                            |
| Professor Susan M Kingsman   | 81,120                  | 8,112         | 13,049        | 8,112                        | <b>110,393</b>                    | 72,533                            |
| Dr Neill M MacKenzie         | 70,304                  | 7,030         | 8,929         | 7,030                        | <b>93,293</b>                     | 82,582                            |
| Andrew B Wood                | 77,875                  | 7,788         | 13,030        | 7,787                        | <b>106,480</b>                    | 97,705                            |
| <b>Non-executive</b>         |                         |               |               |                              |                                   |                                   |
| Alan G Goodman <sup>1</sup>  | 17,500                  | -             | -             | -                            | <b>17,500</b>                     | 17,500                            |
| Andrew J Allars <sup>1</sup> | 17,500                  | -             | -             | -                            | <b>17,500</b>                     | 13,125                            |
| Mark Berninger <sup>1</sup>  | 17,103                  | -             | -             | -                            | <b>17,103</b>                     | -                                 |
| Dr Peter Johnson             | 8,750                   | -             | -             | -                            | <b>8,750</b>                      | -                                 |
|                              | <u>383,680</u>          | <u>31,583</u> | <u>35,653</u> | <u>31,582</u>                | <b><u>482,498</u></b>             | <u>382,531</u>                    |

<sup>1</sup> These amounts represent amounts payable to third parties for the services of Alan G Goodman, Andrew J Allars and Mark Berninger.

## Directors' interests

### Interest in shares

The interests of the directors in the shares of the Company at 31 December 1999, together with their interests at 1 January 1999 were as follows:

| The Company - ordinary shares of 1p each | Number of ordinary shares |                |
|--|---------------------------|----------------|
|  | 31 December 1999          | 1 January 1999 |
| Professor Alan J Kingsman <sup>1</sup>   | 9,942,000                 | 9,942,000      |
| Professor Susan M Kingsman <sup>1</sup>  | 10,092,000                | 10,092,000     |
| Dr Neill M MacKenzie                     | 120,000                   | 100,000        |
| Andrew B Wood                            | 22,500                    | 18,750         |
| Alan G Goodman <sup>2</sup>              | 6,058,000                 | 6,045,000      |

<sup>1</sup> Includes 210,000 (31 December 1998: 210,000) ordinary shares held jointly by Professor Alan J Kingsman and Professor Susan M Kingsman.

<sup>2</sup> Includes 5,980,000 (31 December 1998: 5,980,000) ordinary shares held by a company of which Alan G Goodman is a controlling shareholder.

### Interests in share options

The interests of the directors at 31 December 1999 in options over the ordinary shares of the Company were as follows:

| Name of Director           | Options over ordinary shares of 1p each |                     |           |                  | Exercise price     | Date from which exercisable | Expiry date |
|----------------------------|---|---------------------|-----------|------------------|--------------------|-----------------------------|-------------|
|                            | 1 January 1999                          | Granted in the year | Exercised | 31 December 1999 |                    |                             |             |
| Dr Neill M MacKenzie       | 625,000                                 | 18,125 <sup>1</sup> | -         | 643,125          | 10p <sup>1</sup>   | 13.11.99                    | 13.11.03    |
| Dr Neill M MacKenzie       | 672,500                                 | 19,502 <sup>1</sup> | -         | 692,002          | 80p <sup>1</sup>   | 13.11.99                    | 13.11.03    |
| Dr Neill M MacKenzie       | 218,065                                 | 6,323 <sup>3</sup>  | -         | 224,388          | 15.5p <sup>1</sup> | 07.04.01                    | 07.04.05    |
| Dr Neill M MacKenzie       | 146,957                                 | 4,261 <sup>1</sup>  | -         | 151,218          | 11.5p <sup>1</sup> | 24.09.01                    | 24.09.05    |
| Dr Neill M MacKenzie       | -                                       | 159,781             | -         | 159,781          | 22p                | 01.04.02                    | 01.04.06    |
| Dr Neill M MacKenzie       | -                                       | 159,781             | -         | 159,781          | 22p                | 17.08.02                    | 17.08.06    |
| Andrew B Wood              | 269,000                                 | 7,801 <sup>1</sup>  | -         | 276,801          | 80p <sup>1</sup>   | 13.11.99                    | 13.11.03    |
| Andrew B Wood <sup>2</sup> | 400,705                                 | 11,619 <sup>1</sup> | -         | 412,324          | 33p <sup>1</sup>   | 06.08.00                    | 06.08.04    |
| Andrew B Wood <sup>3</sup> | 296,296                                 | 8,591 <sup>1</sup>  | -         | 304,887          | 15.5p <sup>1</sup> | 07.04.01                    | 07.04.05    |
| Andrew B Wood <sup>4</sup> | 199,679                                 | 5,789 <sup>1</sup>  | -         | 205,468          | 11.5p <sup>1</sup> | 24.09.01                    | 24.09.05    |
| Andrew B Wood <sup>5</sup> | -                                       | 574,167             | -         | 574,167          | 22p                | 01.04.02                    | 01.04.06    |
| Andrew B Wood <sup>6</sup> | -                                       | 121,077             | -         | 121,077          | 22p                | 17.08.02                    | 17.08.06    |

<sup>1</sup> Following allotment of the Rights Issue shares on 26 March 1999, the number of share options and the exercise price per share were adjusted in accordance with the rules of the respective share option schemes or contracts

<sup>2</sup> Includes options over 48,808 (1998: 47,433) shares held by Mrs Sharon L Wood, wife of Andrew B Wood

<sup>3</sup> Includes options over 56,335 (1998: 54,748) shares held by Mrs Sharon L Wood, wife of Andrew B Wood

<sup>4</sup> Includes options over 37,965 (1998: 36,896) shares held by Mrs Sharon L Wood, wife of Andrew B Wood

<sup>5</sup> Includes options over 43,202 shares held by Mrs Sharon L Wood, wife of Andrew B Wood

<sup>6</sup> Includes options over 43,202 shares held by Mrs Sharon L Wood, wife of Andrew B Wood

The market value of ordinary shares as at 31 December 1999 was 33.75p (31 December 1998: 12.0p). The market value of ordinary shares during the year ranged from 33.75p to 9.72p.

Except as detailed above, no other directors had interests in share options of the Company or any other Group company at 31 December 1999.

**Alan Goodman**  
Chairman of the remuneration committee

# Report of the auditors

## to the members of Oxford BioMedica plc

We have audited the financial statements on pages 22 to 34.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 16, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We also, at the request of the directors (because the Company applies the Stock Exchange Listing Rules as if it is a company fully listed on the London Stock Exchange) reviewed whether the statement on pages 17 and 18 reflects the Company's compliance with the seven provisions of the Combined Code specified by the Stock Exchange for review by auditors of fully listed companies, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

### Basis of opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 1999 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
Reading  
25 February 2000

# Consolidated profit and loss account

for the year ended 31 December 1999

|   | Notes | 1999<br>£'000  | 1998<br>£'000  |
|---|-------|----------------|----------------|
| <b>Turnover</b>                                       | 2     | <u>436</u>     | <u>50</u>      |
| Research and development                              |       | (3,764)        | (2,982)        |
| Administrative expenses                               |       | <u>(1,346)</u> | <u>(1,194)</u> |
| Operating expenses                                    |       | (5,110)        | (4,176)        |
| Other operating income: government grants receivable  |       | <u>267</u>     | <u>182</u>     |
| <b>Net operating expenses</b>                         |       | <u>(4,843)</u> | <u>(3,994)</u> |
| <b>Operating loss</b>                                 |       | <u>(4,407)</u> | <u>(3,944)</u> |
| Interest receivable                                   | 5     | <u>218</u>     | <u>263</u>     |
| <b>Loss on ordinary activities before taxation</b>    | 2,6   | <u>(4,189)</u> | <u>(3,681)</u> |
| Tax on loss on ordinary activities                    | 7     | -              | -              |
| <b>Loss for the year</b>                              | 19    | <u>(4,189)</u> | <u>(3,681)</u> |
| <b>Basic loss and diluted loss per ordinary share</b> | 9     | <u>(3.0p)</u>  | <u>(3.4p)</u>  |

The results for the years above are derived entirely from continuing operations.

The Group has no recognised gains and losses other than the results above, and therefore no separate statement of total recognised gains and losses has been presented.

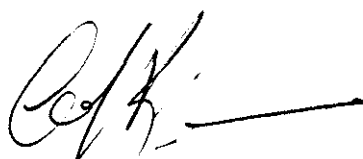
There is no difference between the loss on ordinary activities before taxation and the loss for the years stated above, and their historical cost equivalents.

# Balance sheets

at 31 December 1999

|  | Notes | Group         |               | Company       |               |
|--|-------|---------------|---------------|---------------|---------------|
|  |       | 1999<br>£'000 | 1998<br>£'000 | 1999<br>£'000 | 1998<br>£'000 |
| <b>Fixed assets</b>                            |       |               |               |               |               |
| Intangible assets                              | 10    | 332           | 381           | -             | -             |
| Tangible assets                                | 11    | 773           | 936           | -             | -             |
| Investments                                    | 12    | 26            | -             | 13,879        | 10,723        |
|  |       | <b>1,131</b>  | 1,317         | <b>13,879</b> | 10,723        |
| <b>Current assets</b>                          |       |               |               |               |               |
| Debtors  | 13    | 432           | 358           | 3             | -             |
| Cash at bank and in hand                       |       | 3,039         | 3,566         | 5             | 5             |
|  |       | <b>3,471</b>  | 3,924         | <b>8</b>      | 5             |
| Creditors: amounts falling due within one year | 14    | (801)         | (480)         | (15)          | (12)          |
| <b>Net current assets/(liabilities)</b>        |       | <b>2,670</b>  | 3,444         | <b>(7)</b>    | (7)           |
| <b>Net assets</b>                              |       | <b>3,801</b>  | 4,761         | <b>13,872</b> | 10,716        |
| <b>Capital and reserves</b>                    |       |               |               |               |               |
| Called-up share capital                        | 17    | 1,422         | 1,185         | 1,422         | 1,185         |
| Share premium account                          | 19    | 12,549        | 9,557         | 12,549        | 9,557         |
| Other reserve                                  | 19    | 711           | 711           | -             | -             |
| Profit and loss account (deficit)              | 19    | (10,881)      | (6,692)       | (99)          | (26)          |
| <b>Equity shareholders' funds</b>              | 20    | <b>3,801</b>  | 4,761         | <b>13,872</b> | 10,716        |

The financial statements on pages 22 to 34 were approved by the board of directors on 25 February 2000 and were signed on its behalf by:



Professor A J Kingsman  
Chief executive

# Consolidated cash flow statement

for the year ended 31 December 1999

|   | Notes | 1999<br>£'000         | 1998<br>£'000         |
|---|-------|-----------------------|-----------------------|
| <b>Operating activities</b>   |       |                       |                       |
| Net cash outflow from continuing operating activities<br>(reconciliation to operating loss below) |       | <u>(3,800)</u>        | <u>(3,635)</u>        |
| <b>Returns on investments and servicing of finance</b>  |       |                       |                       |
| Interest received   |       | <u>218</u>            | <u>263</u>            |
| <b>Capital expenditure and financial investment</b>   |       |                       |                       |
| Purchase of tangible fixed assets   |       | <u>(136)</u>          | <u>(267)</u>          |
| Investment in joint venture   | 12    | <u>(26)</u>           | <u>-</u>              |
|   |       | <u>(162)</u>          | <u>(267)</u>          |
| <b>Net cash outflow before management of liquid resources and financing</b>                       |       | <u><b>(3,744)</b></u> | <u><b>(3,639)</b></u> |
| <b>Management of liquid resources</b>   |       |                       |                       |
| Transfer to deposit accounts  |       | <u>(6,291)</u>        | <u>(5,200)</u>        |
| Transfer to current accounts  |       | <u>6,291</u>          | <u>5,200</u>          |
|   | 21    | <u>-</u>              | <u>-</u>              |
| <b>Financing</b>  |       |                       |                       |
| Issue of ordinary shares  | 20    | <u>3,556</u>          | <u>6,302</u>          |
| Expenses of share issue   | 20    | <u>(339)</u>          | <u>(609)</u>          |
|   |       | <u>3,217</u>          | <u>5,693</u>          |
| <b>(Decrease)/increase in cash in the year</b>  | 21    | <u><b>(527)</b></u>   | <u><b>2,054</b></u>   |

## Reconciliation of operating loss to net cash outflow from operating activities

|   | 1999<br>£'000         | 1998<br>£'000         |
|---|-----------------------|-----------------------|
| <b>Continuing activities</b>                                  |                       |                       |
| Operating loss  | <u>(4,407)</u>        | <u>(3,944)</u>        |
| Amortisation on intangible fixed assets                       | <u>49</u>             | <u>50</u>             |
| Depreciation on tangible fixed assets                         | <u>296</u>            | <u>264</u>            |
| Loss on disposal of fixed assets                              | <u>1</u>              | <u>1</u>              |
| Increase in trade debtors                                     | <u>(24)</u>           | <u>-</u>              |
| Decrease/(increase) in other debtors and other tax receivable | <u>27</u>             | <u>(133)</u>          |
| Increase in prepayments and accrued income                    | <u>(77)</u>           | <u>-</u>              |
| Increase in trade creditors                                   | <u>162</u>            | <u>19</u>             |
| Increase in other taxation and social security                | <u>29</u>             | <u>5</u>              |
| Increase in accruals and deferred income                      | <u>144</u>            | <u>103</u>            |
| Net cash outflow from continuing operating activities         | <u><b>(3,800)</b></u> | <u><b>(3,635)</b></u> |

# Notes to the consolidated financial statements

## for the year ended 31 December 1999

### 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important Group accounting policies, which have been applied consistently, is set out below.

#### Basis of accounting

The accounts are prepared in accordance with the historical cost convention.

#### Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the Company and its subsidiary undertakings. Intra-group sales and profits are eliminated fully on consolidation.

#### Tangible fixed assets and intangible fixed assets

The cost of tangible and intangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual value on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

|                                  | %  |
|----------------------------------|----|
| Short leasehold improvements     | 20 |
| Computer equipment               | 33 |
| Equipment, fixtures and fittings | 20 |

Intangible fixed assets, relating to intellectual property rights acquired by the Group at inception, are amortised on a straight line basis over their useful economic life which has been estimated by the directors to be 10 years, with provision made for any impairment. Expenditure relating to other intellectual property rights, including those generated by the Group, is charged to the profit and loss account in the year in which it is incurred, as this expenditure relates entirely to the Group's research and development activities.

#### Fixed asset investments

Fixed asset investments are carried at cost less any provision made for impairment.

#### Financial instruments

FRS 13 "Derivatives and other financial instruments: disclosures" came into effect for these financial statements. The Group's financial instruments, as defined in FRS 13 comprise cash and liquid resources, together with debtors and creditors arising directly from operations.

The Group does not enter into derivative transactions, and it is the Group's policy not to undertake any trading in financial instruments. The Group does not have any committed borrowing facilities, as its cash balances are sufficient to finance its current operations. Cash balances are mainly held on short-term deposit with quality financial institutions, in line with the Group's policy to minimise the risk of loss. The main risks associated with the Group's financial instruments relate to interest rate risk and foreign currency risk. Numerical disclosures relating to these are given in note 15 to the financial statements. The Group's policy in relation to interest rate risk is to monitor short and medium term interest rates and to place cash on deposit for periods that optimise the amount of interest earned while maintaining access to sufficient funds to meet day to day cash requirements. In relation to foreign currency risk, the Group's policy is to hold the majority of its funds in sterling. These policies have been applied consistently throughout the year.

#### Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

#### Turnover

Turnover, which excludes value added tax, sales between Group companies and trade discounts, represents the value of goods and services supplied. Licence income and contract research fees are recognised in the accounting period to which the relevant services relate. Access fees and milestone payments are recognised when they fall contractually due.

**Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

**Research and development**

Research and development expenditure is written off in the period in which it is incurred.

**Government grants**

Income from government grants is recognised in the period in which the expenditure to which the grants relate is incurred.

**Pension costs**

The Group operates defined contribution pension schemes for its directors and employees. The assets of the schemes are held in independently administered funds. The pension cost charge recognised in the year (see note 4) represents amounts payable by the Group to the funds.

**Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

**Related parties**

FRS 8 "Related Party Disclosures" requires the disclosure of the details of material transactions between the reporting entity and any related parties. The Company has adopted the provisions of FRS 8. However transactions between the Company and its subsidiaries have not been disclosed in accordance with the exemption in FRS 8 paragraph 3(a).

**2 Turnover and loss on ordinary activities before taxation**

The Group's turnover and loss on ordinary activities before taxation are derived entirely from its principal activity which was conducted wholly in the UK.

**3 Directors' emoluments**

The emoluments of the directors during the years ended 31 December 1999 and 31 December 1998 for services provided to the Company and/or its subsidiary undertakings are set out below:

|  | 1999<br>£'000 | 1998<br>£'000 |
|--|---------------|---------------|
| Aggregate emoluments                               | <u>399</u>    | <u>335</u>    |
| Pension contributions to money purchase schemes    | <u>32</u>     | <u>28</u>     |
| Sums paid to third parties for directors' services | <u>52</u>     | <u>31</u>     |

Retirement benefits are accruing to four directors (1998: four) under Oxford BioMedica (UK) Limited's money purchase pension schemes.

Emoluments payable to the highest paid director are as follows:

|   | 1999<br>£'000 | 1998<br>£'000 |
|---|---------------|---------------|
| Aggregate emoluments                            | <u>103</u>    | <u>91</u>     |
| Pension contributions to money purchase schemes | <u>9</u>      | <u>8</u>      |

The detailed analysis of directors' remuneration is included in the report of the remuneration committee on pages 19 and 20 and forms part of these financial statements.

#### 4 Employee information

The average monthly number of persons (including executive directors) employed by the Group during the year was:

|  | 1999<br>Number | 1998<br>Number |
|--|----------------|----------------|
| <b>By activity</b>                         |                |                |
| Office and management                      | 9              | 9              |
| Research and development                   | 29             | 26             |
|  | <b>38</b>      | <b>35</b>      |
|  | 1999<br>£'000  | 1998<br>£'000  |
| <b>Staff costs (for the above persons)</b> |                |                |
| Wages and salaries                         | 1,335          | 1,149          |
| Social security costs                      | 141            | 114            |
| Pension costs                              | 96             | 86             |
|  | <b>1,572</b>   | <b>1,349</b>   |

#### 5 Interest receivable

|                          | 1999<br>£'000 | 1998<br>£'000 |
|--------------------------|---------------|---------------|
| Bank interest receivable | 218           | 263           |

#### 6 Loss on ordinary activities before taxation

|   | 1999<br>£'000 | 1998<br>£'000 |
|---|---------------|---------------|
| Loss on ordinary activities before taxation is stated after charging: |               |               |
| Amortisation of intangible fixed assets                               | 49            | 50            |
| Depreciation charge for the year on owned tangible fixed assets       | 296           | 264           |
| Loss on disposal of tangible fixed assets                             | 1             | 1             |
| Auditors' remuneration for:   |               |               |
| Audit (Company £5,000; 1998: £5,000)                                  | 25            | 23            |
| Other services to the Company and its UK subsidiary <sup>1</sup>      | 15            | 28            |
| Hire of plant and machinery - operating leases                        | 25            | 25            |
| Hire of other assets - operating leases                               | 186           | 186           |

<sup>1</sup> In addition, fees of £45,000 were paid to PricewaterhouseCoopers relating to the Rights Issue in March 1999 (1998: fees of £66,000 in respect of a Rights Issue in March 1998).

#### 7 Tax on loss on ordinary activities

The Group has taxation losses available to be carried forward of approximately £10.3 million (1998: £6.5 million) which will be available to reduce future taxable income. £6.3 million of these losses have been agreed with the tax authorities.

## 8 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's loss for the financial year was £73,000 (1998: £15,000).

## 9 Basic loss and diluted loss per ordinary share

The basic loss per share has been calculated by dividing the loss for the year by the weighted average number of shares of 137,599,908 in issue during the year ended 31 December 1999 (1998: 106,853,160). The number of shares in issue prior to the Rights Issue in March 1999, including the number of shares in issue in the prior year, has been adjusted in accordance with FRS 14.

The Group had no dilutive potential ordinary shares in either year and there is therefore no difference between the loss per ordinary share and the diluted loss per ordinary share.

## 10 Intangible fixed assets

### Group

|   | Intellectual<br>property<br>rights<br>£'000 |
|---|---|
| <b>Cost</b>                               |   |
| At 1 January 1999 and 31 December 1999    | 492   |
| <b>Amortisation</b>                       |   |
| At 1 January 1999                         | 111   |
| Charge for the year                       | 49  |
| <b>At 31 December 1999</b>                | <b>160</b>                                  |
| <b>Net book value at 31 December 1999</b> | <b>332</b>                                  |
| Net book value at 31 December 1998        | 381   |

## 11 Tangible fixed assets

### Group

|   | Short leasehold<br>improvements<br>£'000 | Office<br>equipment,<br>fixtures, fittings<br>and computers<br>£'000 | Laboratory<br>equipment<br>£'000 | Total<br>£'000 |
|---|--|--|----------------------------------|----------------|
| <b>Cost</b>                               |  |  |                                  |                |
| At 1 January 1999                         | 439                                      | 172  | 753                              | 1,364          |
| Additions                                 | -  | 16   | 118                              | 134            |
| Disposals                                 | -  | (3)  | -                                | (3)            |
| <b>At 31 December 1999</b>                | <b>439</b>                               | <b>185</b>   | <b>871</b>                       | <b>1,495</b>   |
| <b>Depreciation</b>                       |  |  |                                  |                |
| At 1 January 1999                         | 151                                      | 73   | 204                              | 428            |
| Charge for the year                       | 88                                       | 45   | 163                              | 296            |
| Eliminated on disposals                   | -  | (2)  | -                                | (2)            |
| <b>At 31 December 1999</b>                | <b>239</b>                               | <b>116</b>   | <b>367</b>                       | <b>722</b>     |
| <b>Net book value at 31 December 1999</b> | <b>200</b>                               | <b>69</b>  | <b>504</b>                       | <b>773</b>     |
| Net book value at 31 December 1998        | 288                                      | 99   | 549                              | 936            |

## 12 Fixed asset investments

| Group   | Shares in<br>joint ventures<br>£'000 |
|---|--------------------------------------|
| <b>Cost</b>                                   |                                      |
| At 1 January 1999                             | -                                    |
| Additions                                     | 26                                   |
| <b>At 31 December 1999</b>                    | <b>26</b>                            |
| <b>Amounts written off</b>                    |                                      |
| <b>At 1 January 1999 and 31 December 1999</b> | -                                    |
| <b>Net book value at 31 December 1999</b>     | <b>26</b>                            |
| Net book value at 31 December 1998            | -                                    |

| Company                                       | Shares in<br>subsidiary<br>undertakings<br>£'000 | Loans to<br>subsidiary<br>undertakings<br>£'000 | Total<br>£'000 |
|---|--|---|----------------|
| <b>Cost</b>                                   |  |   |                |
| At 1 January 1999                             | 500  | 10,223  | 10,723         |
| Additions                                     | -  | 3,156   | 3,156          |
| <b>At 31 December 1999</b>                    | <b>500</b>                                       | <b>13,379</b>                                   | <b>13,879</b>  |
| <b>Amounts written off</b>                    |  |   |                |
| <b>At 1 January 1999 and 31 December 1999</b> | -  | -   | -              |
| <b>Net book value at 31 December 1999</b>     | <b>500</b>                                       | <b>13,379</b>                                   | <b>13,879</b>  |
| Net book value at 31 December 1998            | 500  | 10,223  | 10,723         |

During 1999 the Company has advanced loans to Oxford BioMedica (UK) Limited amounting to £3,156,000 (1998: £5,689,000) which have been included in fixed asset investments.

### Interests in subsidiary undertakings

| Name of undertaking           | Country of incorporation | Description of shares held | Proportion of nominal value of<br>issued shares held by the<br>Group and Company | Nature of business                       |
|-------------------------------|--------------------------|----------------------------|--|--|
| Oxford BioMedica (UK) Limited | Great Britain            | 1p ordinary shares         | 100%   | Gene therapy research<br>and development |
| Chemileon Limited             | Great Britain            | £1 ordinary shares         | 100%   | Dormant                                  |
| Epigene Limited               | Great Britain            | £1 ordinary shares         | 50%  | Dormant                                  |

All of the above subsidiaries have been consolidated in these financial statements.

Chemileon Limited has not traded since incorporation and has net assets of £1 (1998: £1).

At 31 December 1999 Epigene Limited had net liabilities of approximately £7,000 (1998: net liabilities of approximately £7,000) and has not traded to date.

**Interests in joint ventures**

On 29 September 1999 the Company's subsidiary Oxford BioMedica (UK) Limited subscribed for 10,000 ordinary shares of 5,000 Won each, representing 50% of the issued share capital of Virotech Limited, a company incorporated in South Korea. Virotech Limited's business will be gene therapy research and development. It had not commenced trading at 31 December 1999. At 31 December 1999 the share capital and reserves of Virotech Limited were approximately £50,000. Due to the immaterial size of the joint venture it has been included in the group accounts as an investment.

**13 Debtors**

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 1999<br>£'000 | 1998<br>£'000 | 1999<br>£'000 | 1998<br>£'000 |
| <b>Amounts falling due after more than one year</b> |               |               |               |               |
| Other debtors - rent deposit                        | 37            | 37            | -             | -             |
| <b>Amounts falling due within one year</b>          |               |               |               |               |
| Trade debtors                                       | 24            | -             | -             | -             |
| Other debtors                                       | 134           | 165           | -             | -             |
| Other tax receivable                                | 54            | 50            | -             | -             |
| Prepayments and accrued income                      | 183           | 106           | 3             | -             |
|   | 395           | 321           | 3             | -             |
| <b>Total debtors</b>                                | <b>432</b>    | <b>358</b>    | <b>3</b>      | <b>-</b>      |

**14 Creditors: amounts falling due within one year**

|                                    | Group         |               | Company       |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 1999<br>£'000 | 1998<br>£'000 | 1999<br>£'000 | 1998<br>£'000 |
| Trade creditors                    | 309           | 149           | -             | -             |
| Other taxation and social security | 66            | 37            | -             | -             |
| Accruals and deferred income       | 426           | 294           | 15            | 12            |
|                                    | 801           | 480           | 15            | 12            |

## 15 Financial instruments

Details of the Group's objectives and policies with respect to financial instruments are given in note 1 to the financial statements. The numerical disclosures in this note deal with the financial assets and liabilities defined in FRS 13 as financial instruments. Except with respect to disclosures regarding currency risk, short term debtors and creditors have been excluded from the financial instruments disclosure.

### Interest rate risk profile of financial assets

|                              | Floating<br>rate<br>£'000 | 1999<br>Non<br>interest<br>bearing<br>£'000 | Total<br>£'000 | Floating<br>rate<br>£'000 | 1998<br>Non<br>interest<br>bearing<br>£'000 | Total<br>£'000 |
|------------------------------|---------------------------|---|----------------|---------------------------|---|----------------|
| Sterling                     | 3,027                     | 44  | 3,071          | 3,560                     | 43  | 3,603          |
| US dollars                   | -                         | 5   | 5              | -                         | -   | -              |
|                              | <b>3,027</b>              | <b>49</b>                                   | <b>3,076</b>   | <b>3,560</b>              | <b>43</b>                                   | <b>3,603</b>   |
| of which:                    |                           |   |                |                           |   |                |
| Cash at bank and in hand     | 3,027                     | 12  | 3,039          | 3,560                     | 6   | 3,566          |
| Other debtors (rent deposit) | -                         | 37  | 37             | -                         | 37  | 37             |
|                              | <b>3,027</b>              | <b>49</b>                                   | <b>3,076</b>   | <b>3,560</b>              | <b>43</b>                                   | <b>3,603</b>   |

Throughout the year the Group placed funds on short term fixed rate bank deposits for periods up to 3 months. On 31 December 1999 and 31 December 1998 all fixed rate deposits had matured and the majority of funds were held in a floating rate instant access account. Fixed rate deposits earned interest at an average rate of 5.1% per annum over the year. Floating rate deposits earned interest at prevailing bank rates.

### Currency exposures

The Group's functional currency is sterling. Other than a US dollar bank account which had a balance of £5,000 on 31 December 1999 (31 December 1998: £nil), there were no financial assets or liabilities in currencies other than sterling.

### Fair value

The directors consider that the fair values of the Company's financial instruments do not significantly differ from their book values.

## 16 Provision for liabilities and charges

### Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided/(not recognised) of the total potential liability/(asset), are as follows:

#### Group

|  | Amount provided |               | Amount unprovided/<br>(not recognised) |                |
|--|-----------------|---------------|--|----------------|
|  | 1999<br>£'000   | 1998<br>£'000 | 1999<br>£'000                          | 1998<br>£'000  |
| Tax effect of timing differences:              |                 |               |  |                |
| Excess of capital allowances over depreciation | -               | 160           | (93)                                   | -              |
| Losses   | -               | (160)         | (2,997)                                | (1,790)        |
|  | -               | -             | <b>(3,090)</b>                         | <b>(1,790)</b> |

The Company has neither a potential deferred tax asset nor liability at 31 December 1999.

## 17 Called-up share capital

|  | 1999<br>£'000 | 1998<br>£'000 |
|--|---------------|---------------|
| <b>Authorised</b>  |               |               |
| 500,000,000 ordinary shares of 1p each                     | <u>5,000</u>  | <u>5,000</u>  |
| <b>Allotted, called-up and fully paid</b>                  |               |               |
| 142,243,017 (1998: 118,535,848) ordinary shares of 1p each | <u>1,422</u>  | <u>1,185</u>  |

On 25 March 1999 the Company issued 23,707,169 shares of 1p each in a 1 for 5 rights issue for cash consideration of £3,556,000.

## 18 Options in shares of Oxford BioMedica plc

The Company has two unapproved share option schemes. The Oxford BioMedica 1996 Share Option Plan was established to enable selected individuals who are not employees of the Company to hold options to subscribe for ordinary shares. The Oxford BioMedica 1996 (No.1) Share Option Scheme relates to options granted to directors and employees. The total number of options over ordinary shares of 1p each that had been granted and had not lapsed at 31 December 1999 were as follows:

| Number of shares       | Exercise price per<br>share (pence) | Date from which<br>exercisable | Expiry date |
|------------------------|-------------------------------------|--------------------------------|-------------|
| 643,125 <sup>1</sup>   | 10.0 <sup>1</sup>                   | 13.11.99                       | 13.11.03    |
| 1,190,243 <sup>1</sup> | 80.0 <sup>1</sup>                   | 13.11.99                       | 13.11.03    |
| 27,680 <sup>1</sup>    | 80.0 <sup>1</sup>                   | 31.12.99                       | 31.12.03    |
| 27,680 <sup>1</sup>    | 51.0 <sup>1</sup>                   | 06.03.00                       | 06.03.04    |
| 27,680 <sup>1</sup>    | 44.0 <sup>1</sup>                   | 08.05.00                       | 08.05.04    |
| 27,680 <sup>1</sup>    | 80.0 <sup>1</sup>                   | 08.05.00                       | 08.05.04    |
| 27,680 <sup>1</sup>    | 80.0 <sup>1</sup>                   | 17.07.00                       | 17.07.04    |
| 27,680 <sup>1</sup>    | 80.0 <sup>1</sup>                   | 25.07.00                       | 25.07.04    |
| 27,680 <sup>1</sup>    | 33.0 <sup>1</sup>                   | 25.07.00                       | 25.07.04    |
| 2,226,285 <sup>1</sup> | 33.0 <sup>1</sup>                   | 06.08.00                       | 06.08.04    |
| 143,142 <sup>1</sup>   | 33.0 <sup>1</sup>                   | 01.09.00                       | 01.09.04    |
| 51,450 <sup>1</sup>    | 15.5 <sup>1</sup>                   | 02.04.01                       | 02.04.05    |
| 27,682 <sup>1</sup>    | 33.0 <sup>1</sup>                   | 07.04.01                       | 07.04.05    |
| 3,434,082 <sup>1</sup> | 15.5 <sup>1</sup>                   | 07.04.01                       | 07.04.05    |
| 87,308 <sup>1</sup>    | 16.5 <sup>1</sup>                   | 04.06.01                       | 04.06.05    |
| 1,945,712 <sup>1</sup> | 11.5 <sup>1</sup>                   | 24.09.01                       | 24.09.05    |
| 97,828 <sup>1</sup>    | 14.0 <sup>1</sup>                   | 01.02.02                       | 01.02.06    |
| 2,555,430              | 22.0                                | 01.04.02                       | 01.04.06    |
| 32,124                 | 21.0                                | 04.05.02                       | 04.05.06    |
| 71,428                 | 21.0                                | 10.05.02                       | 10.05.06    |
| 25,000                 | 20.5                                | 30.06.02                       | 30.06.06    |
| 2,248,929              | 22.0                                | 17.08.02                       | 17.08.06    |
| 47,727                 | 23.5                                | 01.09.02                       | 01.09.06    |
| 132,500                | 20.0                                | 04.10.02                       | 04.10.06    |
| <u>15,153,755</u>      |                                     |                                |             |

<sup>1</sup> Following the Rights Issue on 25 March 1999, the number of share options and the exercise price per share were adjusted in accordance with the rules of the schemes or contracts.

## 19 Share premium account and reserves

| Group  | Share premium account<br>£'000 | Other reserve'<br>£'000 | Profit and loss account<br>£'000 |
|--|--------------------------------|-------------------------|----------------------------------|
| At 1 January 1999 - surplus/(deficit)          | 9,557                          | 711                     | (6,692)                          |
| Share premium arising on share issues          | 3,319                          | -                       | -                                |
| Costs associated with issue of shares          | (327)                          | -                       | -                                |
| Loss for the year                              | -                              | -                       | (4,189)                          |
| <b>At 31 December 1999 - surplus/(deficit)</b> | <b>12,549</b>                  | <b>711</b>              | <b>(10,881)</b>                  |

<sup>1</sup>Represents the reserve arising from consolidation of Oxford BioMedica (UK) Limited using the merger method of accounting.

| Company  | Share premium account<br>£'000 | Profit and loss account<br>£'000 |
|--|--------------------------------|----------------------------------|
| At 1 January 1999 - surplus/(deficit)          | 9,557                          | (26)                             |
| Share premium arising on share issues          | 3,319                          | -                                |
| Costs associated with issue of shares          | (327)                          | -                                |
| Loss for the year                              | -                              | (73)                             |
| <b>At 31 December 1999 - surplus/(deficit)</b> | <b>12,549</b>                  | <b>(99)</b>                      |

At 31 December 1999 neither the Company nor its subsidiary undertakings had reserves available for distribution (1998: £nil).

## 20 Reconciliation of movements in Group shareholders' funds

|  | 1999<br>£'000 | 1998<br>£'000 |
|--|---------------|---------------|
| Loss for the year                                  | (4,189)       | (3,681)       |
| New share capital issued                           | 3,556         | 6,302         |
| Expenses of share issue                            | (327)         | (621)         |
| Net (reduction in)/addition to shareholders' funds | (960)         | 2,000         |
| Opening shareholders' funds                        | 4,761         | 2,761         |
| <b>Closing shareholders' funds</b>                 | <b>3,801</b>  | <b>4,761</b>  |

## 21 Reconciliation of net cash flow to movement in net funds

|   | 1999<br>£'000 | 1998<br>£'000 |
|---|---------------|---------------|
| (Decrease)/increase in cash in the year       | (527)         | 2,054         |
| Cash outflow from change in liquid resources  | -             | -             |
| Change in net funds resulting from cash flows | (527)         | 2,054         |
| Net funds at beginning of the year            | 3,566         | 1,512         |
| <b>Net funds at end of the year</b>           | <b>3,039</b>  | <b>3,566</b>  |

## 22 Analysis of net funds

|                          | At 1 January<br>1999<br>£'000 | Cash flow<br>£'000 | Other non<br>cash changes<br>£'000 | At 31<br>December<br>1999<br>£'000 |
|--------------------------|-------------------------------|--------------------|------------------------------------|------------------------------------|
| Cash at bank and in hand | 3,566                         | (527)              | -                                  | <b>3,039</b>                       |
| Less: liquid resources   | -                             | -                  | -                                  | -                                  |
| Total                    | <b>3,566</b>                  | <b>(527)</b>       | <b>-</b>                           | <b>3,039</b>                       |

Liquid resources relate to bank deposits which are not immediately accessible within 24 hours without financial penalty.

## 23 Contingent liabilities and capital commitments

There were no contingent liabilities at 31 December 1999 or at 31 December 1998. The Group had commitments for capital expenditure of £9,000 at 31 December 1999 (1998: £nil).

## 24 Pension cost

The Group operates defined contribution pension schemes for its directors and employees. The assets of the schemes are held in independently administered funds. The pension cost charge of £96,000 (1998: £86,000) represents amounts payable by the Group to the funds. Contributions totalling £8,000 (1998: £7,000) were payable to the funds at the year-end and are included in accruals.

## 25 Financial commitments

At 31 December 1999 the Group had annual commitments under non-cancellable operating leases as follows:

|   | 1999                           |                | 1998                           |                |
|---|--------------------------------|----------------|--------------------------------|----------------|
|   | Land and<br>buildings<br>£'000 | Other<br>£'000 | Land and<br>buildings<br>£'000 | Other<br>£'000 |
| Expiring within one year                      | -                              | 6              | -                              | 1              |
| Expiring between two and five years inclusive | <b>186</b>                     | <b>19</b>      | 186                            | 23             |
|   | <b>186</b>                     | <b>25</b>      | 186                            | 24             |

## 26 Post balance sheet events

Details of post balance sheet events are given in the directors' report.

## Notice to Members under Regulation 16(4) given after the passing of a Directors' Resolution under Regulation 16(2)

### **TO: ALL THE MEMBERS OF OXFORD BIOMEDICA PLC (THE "COMPANY")**

#### **Notice of directors' resolutions relating to the CREST system**

This is to give you notice, in accordance with the Uncertificated Securities Regulations 1995 (the "Regulations"), that, on 21 February 2000, the Company resolved by resolution of its directors that title to the ordinary shares of 1p each in the capital of the Company, in issue or to be issued, may be transferred by means of a relevant system. The resolution of the directors became effective immediately.

- 1 The Regulations provide for the transfer without a written instrument, and the evidencing otherwise than by a certificate, of title to securities in accordance with a computer-based system and procedures, defined in the Regulations as a "relevant system". The CREST system is the relevant system operated by CRESTCo Limited ("CRESTCo").
- 2 The Company is obliged to notify all its members of the passing of a "directors' resolution" (as defined in the Regulations). The directors' resolution will enable ordinary shares to join the CREST system in due course.
- 3 The ordinary shares do not become transferable by means of the CREST system merely by virtue of the passing of the directors' resolution, nor do they become so by virtue of the directors' resolution having become effective. The permission of CRESTCo must also be given before the ordinary shares can become so transferable. CRESTCo is likely to give its permission for the ordinary shares to join the CREST system with effect from 6 March 2000. In addition, notwithstanding CRESTCo permitting the ordinary shares to be admitted to the CREST system, a holder of ordinary shares is not obliged to hold those shares in uncertificated form. Each ordinary shareholder can choose whether or not to convert his shares into uncertificated form.
- 4 The effect of the directors' resolution is to disapply, in relation to those ordinary shares that are converted into uncertificated form, those provisions of the Company's articles of association that are inconsistent with holding and transfer of those shares in the CREST system and with any provisions of the Regulations, as and when those ordinary shares enter the CREST system. The disapplication does not apply to ordinary shares held in certificated form. The Company's registrars will continue to register written instruments of transfer and issue share certificates in respect of ordinary shares held in certificated form in accordance with the provisions of the Company's articles of association.
- 5 In accordance with Regulation 16(6) of the Regulations, members of the Company may within 60 days of the passing of the directors' resolution, resolve by ordinary resolution that the directors' resolution shall cease to have effect.

# Notice of Annual General Meeting

Notice is hereby given that the third annual general meeting of the Company will be held at the offices of Weil, Gotshal & Manges, 3rd floor, One South Place, London, EC2M 2WG on 4 May 2000 at 11 a.m. for the following purposes:

## Ordinary Business

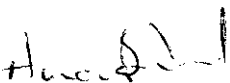
- 1 To receive the Company's annual accounts for the financial year ended 31 December 1999, the directors' report and the auditor's report on those accounts.
- 2 To reappoint as a director Peter Johnson who was appointed during the year and is retiring in accordance with Article 85 of the Company's articles of association and who being eligible is offering himself for reappointment.
- 3 That in substitution for all existing authorities, the directors of the Company be and are hereby generally and unconditionally authorised, pursuant to Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £3,440,570 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) 15 months after the date of the passing of this resolution or at the conclusion of the next annual general meeting of the Company following the passing of this resolution, whichever occurs later, provided that the Company may before such expiry make an offer or agreement which would or might require such relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired.
- 4 To reappoint PricewaterhouseCoopers as auditors of the Company from the conclusion of the meeting until the next annual general meeting of the Company at which accounts are laid and to authorise the directors to determine their remuneration.

## Special Business

To consider and, if thought fit, pass the following special resolution:

- 5 That in substitution for all existing authorities and subject to the passing of resolution 3 above, the directors be and are hereby generally empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) as if section 89(1) of the Act did not apply to any such allotment. This power:
  - a expires 15 months after the date of the passing of this resolution or at the conclusion of the next annual general meeting of the Company following the passing of this resolution, whichever occurs later, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority and the directors may allot equity securities in pursuance of that offer or agreement; and
  - b is limited to:
    - i allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company made in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient:
      - aa to deal with equity securities representing fractional entitlements; and
      - bb to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory; and
    - ii the allotment of equity securities for cash (otherwise than pursuant to sub-paragraph i above) pursuant to the exercise of any options granted under The Oxford BioMedica 1996 (No. 1) Share Option Scheme and The Oxford BioMedica Share Option Plan; and
    - iii allotments (otherwise than pursuant to sub-paragraphs i and ii above) of equity securities for cash up to an aggregate nominal amount of £155,943.

By order of the board



Andrew Wood  
Secretary

Registered in England  
No: 3252665

Registered Office:  
Medawar Centre  
Robert Robinson Avenue  
The Oxford Science Park  
Oxford OX4 4GA

25 February 2000

**Notes**

- 1 A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.
- 2 To be effective the instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the offices of IRG plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ not less than 48 hours before the time for holding the meeting. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude ordinary shareholders from attending and voting in person at the meeting.
- 3 Copies of all directors' service contracts will be available for inspection at the registered office of the Company during usual business hours from the date of this notice until the date of the Meeting and at the offices of Weil, Gotshal & Manges, 3rd Floor, One South Place, London EC2M 2WG for at least 15 minutes prior to and at the Meeting.
- 4 The register of directors' interests kept by the Company under section 325 of the Companies Act 1985 shall be produced at the commencement of the meeting and remain open and accessible during the continuance of the meeting to any person attending the meeting.

# Advisors

**Nominated Advisor and  
Nominated Broker**

Beeson Gregory Limited  
The Registry  
Royal Mint Court  
London EC3N 4EY

**Registrars**

IR.G plc  
Balfour House  
390/398 High Road  
Ilford Essex IG1 1NQ

**Registered Auditors**

PricewaterhouseCoopers  
9 Greyfriars Road  
Reading RG1 1JG

**Company Secretary and  
Registered Office**

Andrew Wood  
Medawar Centre  
Robert Robinson Avenue  
The Oxford Science Park  
Oxford OX4 4GA

**Solicitors**

Weil Gotshal & Manges  
1 South Place  
London  
EC2M 2WG

**Bankers**

Barclays Bank plc  
Oxford Corporate Group  
PO Box 858  
Oxford OX2 0XP