

Cancer Research Campaign Technology Limited

Registered No. 1626049

DIRECTORS

Dr E S Lennox (Chairman)
Dr S E Foden (Managing Director)
Prof P B Garland
Mr D de Peyer
Prof J G McVie
Prof K R Harrap
Mr H R I Perrott
Mr J P Thurston

SECRETARY

Dr S M Hird

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

BANKERS

Lloyds Bank Plc
8-10 Waterloo Place
London SW1Y 4BE

SOLICITORS

McKenna & Co
Mitre House
160 Aldersgate Street
London EC1A 4DD

REGISTERED OFFICE

Cambridge House
6-10 Cambridge Terrace
Regent's Park
London NW1 4JL

ERNST & YOUNG



Cancer Research Campaign Technology Limited

DIRECTORS' REPORT

The directors present their report and the audited accounts of the company for the year ended 31 March 1996.

RESULTS AND DIVIDENDS

The profit for the year ended 31 March 1996 was £574,784 (31 March 1995 – loss of £10,218). An estimate of the taxable profit for the year of £600,000 (1995 – £210,000) was paid to the Cancer Research Campaign by deed of covenant at 29 March 1996.

The directors do not recommend the payment of a dividend (1995 – £nil).

PRINCIPAL ACTIVITIES

The company's principal activity is to hold and exploit intellectual property rights arising from Cancer Research Campaign-funded research.

FUTURE DEVELOPMENT

The future development of the company is dependent on the continuing registration of intellectual property rights arising from research work supported by the Cancer Research Campaign.

At 31 March 1996, the number of patents and patent applications filed and being maintained by the company totalled 63.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 31 March 1996 were as follows:

Dr E S Lennox (Chairman)

Dr S E Foden (Managing Director)

Prof P B Garland

Mr D de Peyer

(resigned 1 April 1996)

Prof J G McVie

Prof K R Harrap

Mr H R I Perrott

Mr J P Thurston

(appointed 27 September 1995)

Mr D de Peyer held one share in the company on trust for the Cancer Research Campaign throughout the year.

None of the other directors had any interest in the share capital of the company during the year.

Mr J P Thurston is a partner in the firm of solicitors retained by the company.

COMPANY SECRETARY

Dr S M Hird was appointed as Company Secretary on 20 December 1995.

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those accounts, the directors are required to:

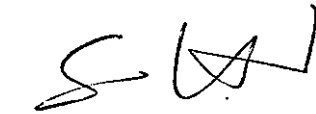
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS (continued)

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

By order of the board



Secretary

21st August 1996

REPORT OF THE AUDITORS

to the members of Cancer Research Campaign Technology Limited

We have audited the accounts on pages 5 to 12 which have been prepared under the historical cost convention and on the basis of accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on pages 2 and 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

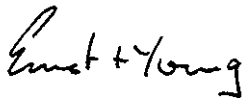
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

To the best of our knowledge and belief Articles 2a, b and c of the company's Articles of Association have been complied with.



Ernst & Young
Chartered Accountants
Registered Auditor
London

21 August 1996

Cancer Research Campaign Technology Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1996

	Notes	Year ended 31 March 1996 £	Year ended 31 March 1995 £
TURNOVER	2	1,843,799	933,345
OTHER OPERATING INCOME	3	158,517	174,643
		<u>2,002,316</u>	<u>1,107,988</u>
OPERATING AND DEVELOPMENT COSTS	4	(1,439,608)	(1,124,430)
OPERATING PROFIT/(LOSS)		562,708	(16,442)
Bank interest receivable		12,076	6,224
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE DEED OF COVENANT		<u>574,784</u>	<u>(10,218)</u>
DEED OF COVENANT PAID TO CANCER RESEARCH CAMPAIGN		(600,000)	(210,000)
Adjustment of prior year deed of covenant		87,687	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>62,471</u>	<u>(220,218)</u>
STATEMENT OF RESERVES			
Accumulated (loss)/profit at 1 April		(57,065)	163,153
Profit/(loss) for the year		62,471	(220,218)
ACCUMULATED PROFIT/(LOSS) AT 31 MARCH		<u>5,406</u>	<u>(57,065)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £62,471 in the year ended 31 March 1996 and the loss of £220,218 in the year ended 31 March 1995.

Cancer Research Campaign Technology Limited

BALANCE SHEET

at 31 March 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible fixed assets	7	36,107	37,720
CURRENT ASSETS			
Investments	8	—	—
Debtors	9	572,909	553,503
Cash at bank and in hand		—	34,374
		572,909	587,877
CREDITORS: amounts falling due within one year	10	503,610	582,662
NET CURRENT ASSETS		69,299	5,215
TOTAL ASSETS LESS CURRENT LIABILITIES		105,406	42,935
CAPITAL AND RESERVES			
Called up share capital	11	100,000	100,000
Profit and loss account		5,406	(57,065)
		105,406	42,935

E. Henry 21 Aug 96

Director

R. Foden 26 August 1996

Director

Cancer Research Campaign Technology Limited

NOTES TO THE ACCOUNTS

at 31 March 1996

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Income and expenditure

Income and expenditure are recognised in the accounts on an accrual basis except that Revenue Sharing income which cannot be attributed to a specific period is recognised on a cash basis.

Non cash considerations

Non cash considerations received as part of technology transfer agreements are valued on the basis of a prudent assessment of the ultimate net realisable value of the assets in question.

Patent costs

All costs incurred in the acquisition of patents are written off in the period in which they are incurred.

Depreciation

Fixed assets are depreciated over their expected useful lives by equal annual instalments at the following rates:

Motor car	25%
Office equipment and fixtures	10%
Computer equipment	15% – 25%

Pension cost

One employee of the company is a member of the Universities Superannuation Scheme. Other employees of the company are members of or are eligible to become members of the Cancer Research Campaign Superannuation and Death Benefit Plan for Staff (1971). Both schemes are of the defined benefit type, are fully funded and contributions by both employees and the company are held in trustee administered funds completely independent of the company's finances.

Pension costs are charged to the profit and loss account over the expected service lives of employees.

Deed of Covenant

Payments to the ultimate parent undertaking under Deed of Covenant representing a prudent estimate of the company's taxable profits for the period are charged in full to the income and expenditure account. Refunds of any overpayments are recognised when the company's taxation computation has been agreed with the Inland Revenue.

Cash flow statement

The company is a small company as defined by sections 246 and 247 of the Companies Act 1985. It has, therefore, taken advantage of the exemption conferred by Financial Reporting Standard No. 1 not to prepare a cash flow statement.

2. TURNOVER

Turnover comprises licence fees and payments, royalty income, assignment and option fees, evaluation fees, income from clinical trial activities and income from technology transfer services provided to other organisations.

Prior year turnover and revenue share has been restated by grossing up sponsored collaboration revenue of £40,000 which was accounted for net in prior years. This has a nil effect on reported movements in reserves.

Cancer Research Campaign Technology Limited

NOTES TO THE ACCOUNTS

at 31 March 1996

3. OTHER OPERATING INCOME

Other operating income consists of the company's share of profits from the British Journal of Cancer for the year ended 31 December 1995.

The company's share of profits of the British Journal of Cancer for the year ended 31 December 1996 will not be received until 1997 and cannot be estimated with any certainty before that date.

In order to match costs with revenues, expenditure incurred in the three month period to 31 March 1996 of £13,352 has been carried forward for offset against future income.

4. OPERATING AND DEVELOPMENT COSTS

(a) Operating and development costs

	<i>Year ended 31 March 1996 £</i>	<i>Year ended 31 March 1995 £</i>
Travel and subsistence	41,077	23,277
Advertising and publicity	631	1,037
Staff costs (including directors)	410,012	295,232
Patent applications	278,794	279,056
Publishing	32,855	17,145
Cancer Research Campaign management charge	70,000	55,000
Depreciation	13,221	15,926
Other operating costs	44,395	31,561
Auditors' remuneration	8,000	6,500
Legal fees	119,351	59,637
Office costs	34,983	25,517
Revenue sharing	395,791	260,389
Sponsored collaboration revenue share	27,444	40,000
Loss/(gain) on disposal of fixed assets	315	(1,904)
Gain on disposal of Xenova shares	(61,258)	-
	<u>1,415,611</u>	<u>1,108,373</u>
Development costs	23,997	16,057
	<u>1,439,608</u>	<u>1,124,430</u>
	<i>No.</i>	<i>No.</i>
Average number of employees	11	9

Cancer Research Campaign Technology Limited

NOTES TO THE ACCOUNTS

at 31 March 1996

4. OPERATING AND DEVELOPMENT COSTS (continued)

(b) Staff costs

	<i>Year ended 31 March 1996 £</i>	<i>Year ended 31 March 1995 £</i>
Wages and salaries	344,640	246,139
Social security costs	31,277	23,850
Other pension costs	34,095	25,243
	<u>410,012</u>	<u>295,232</u>

5. OPERATING PROFIT

Operating profit includes £482,000 (1995 – £210,000) of income from licence fees (net of direct costs and revenue sharing arrangements).

6. EMOLUMENTS OF DIRECTORS

	<i>Year ended 31 March 1996 £</i>	<i>Year ended 31 March 1995 £</i>
Remuneration, including pension contributions	<u>62,299</u>	<u>54,471</u>
	<u>£</u>	<u>£</u>
Emoluments of the chairman	–	–
Emoluments (excluding pension contributions) of the highest paid director	<u>53,421</u>	<u>46,396</u>

No other directors received any form of remuneration during the year.

Cancer Research Campaign Technology Limited

NOTES TO THE ACCOUNTS

at 31 March 1996

7. FIXED ASSETS

	<i>Furniture and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£
Cost:			
At 31 March 1995	56,256	12,840	69,096
Additions	3,434	12,989	16,423
Disposals	—	(12,840)	(12,840)
At 31 March 1996	59,690	12,989	72,679
Depreciation:			
At 31 March 1995	23,351	8,025	31,376
Provided during the year	9,974	3,247	13,221
Disposals	—	(8,025)	(8,025)
At 31 March 1996	33,325	3,247	36,572
Net book value:			
At 31 March 1996	26,365	9,742	36,107
At 31 March 1995	32,905	4,815	37,720

8. INVESTMENTS

	<i>1996</i>	<i>1995</i>
	£	£
At directors' valuation at 31 March	—	—

Therexsys Limited

The company has a holding of 33,071 ordinary shares of 10 pence each in Therexsys Limited, calculated after taking account of Revenue Sharing arrangements.

In accordance with the most recent set of audited accounts, at 30 September 1995, the issued share capital of Therexsys Limited consisted of 1,040,783 ordinary shares of 10 pence each and 5,933,333 preferred ordinary shares of 10 pence each. At the same date, net assets of Therexsys Limited were £4.3 million. Losses for the year then ended were £2.4 million.

Therexsys Limited completed a second round of financing on 3 May 1996 during which £22.5 million was raised through the issue of 'A' preferred ordinary shares.

Therexsys Limited is a pioneering company involved in research and development. As such, its future depends on its ability to develop its technology into commercial products. Given the inherent uncertainty surrounding the valuation of such companies, the directors of Cancer Research Campaign Technology Limited consider that it remains imprudent to attribute any value to the shareholding.

Xenova

The company's holding of 16,098 ordinary shares of 10 pence each in Xenova Group plc was sold during the year. The directors' valuation at 31 March 1995 was nil and the proceeds on disposal were £61,258.

Cancer Research Campaign Technology Limited

NOTES TO THE ACCOUNTS

at 31 March 1996

9. DEBTORS

	1996	1995
	£	£
Trade debtors	546,555	483,157
Cancer Research Campaign	—	62,113
Other debtors	50	50
Accrued income	8,219	760
Deferred expenditure	13,352	7,423
Royalty income tax	4,733	—
	<u>572,909</u>	<u>553,503</u>

10. CREDITORS: amounts falling due within one year

	1996	1995
	£	£
Bank overdraft	35,329	—
Trade creditors	248,726	161,113
Cancer Research Campaign	48,306	187,715
Inland Revenue	128,078	54,250
Accruals	36,928	152,498
Customs & Excise	4,993	27,086
Advance income	1,250	—
	<u>503,610</u>	<u>582,662</u>

11. SHARE CAPITAL

	1996	Authorised	Allotted, called up and fully paid	
	No.	1995	1996	1995
		No.	£	£
Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>	<u>100,000</u>	<u>100,000</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996	1995
	£	£
Profit/(loss) for the year after taxation	62,471	(220,218)
Opening shareholders' funds	42,935	263,153
Closing shareholders' funds	<u>105,406</u>	<u>42,935</u>

Cancer Research Campaign Technology Limited

NOTES TO THE ACCOUNTS

at 31 March 1996

13. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Cancer Research Campaign Limited, a company limited by guarantee and incorporated in the United Kingdom.

Under a Deed of Covenant dated 14 February 1994 current and future taxable profits are payable to Cancer Research Campaign Limited.

Copies of the accounts of Cancer Research Campaign Limited are available from 6 – 10 Cambridge Terrace, London NW1 4JL.

14. PENSIONS

Retirement benefits are provided for eligible employees through the Universities Superannuation Scheme or the Cancer Research Campaign Superannuation and Death Benefit Plan for Staff (1971). Members of the Universities Superannuation Scheme are contracted out of the State Earnings Related Pension Scheme. Both schemes are externally funded defined benefit schemes based on final pay.

The total pension cost for the company, including directors, was £34,095 (1995 – £25,243). The pension cost is assessed in accordance with the advice of a professionally qualified actuary using the projected unit valuation basis.

The latest actuarial valuation of the Universities Superannuation Scheme was carried out at 31 March 1993. The main valuation assumptions were that return on investments would be 8.5% per annum and that the increase in pensionable salaries would be 6.5% per annum. At the date of the valuation the actuarial value of the fund's assets represented 97% of the benefits that had accrued to members after allowing for expected future increases in earnings. The level of contributions paid by the employers takes into account this actuarial deficiency.

The latest actuarial valuation of the Cancer Research Campaign Superannuation and Death Benefit Plan for Staff (1971) was carried out at 30 September 1994. Full details of the plan can be found in the audited accounts of the Cancer Research Campaign Limited.