

# Acambis Research Limited

(formerly Peptide Therapeutics Limited)

Financial Statements for the year ended 31 December 2000  
together with Directors' and Auditors' reports

Registered Number 2774777



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## Directors' report

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 31 December 2000.

### Change of name

On 4 December 2000, Peptide Therapeutics Limited changed its name to Acambis Research Limited and the parent company, Peptide Therapeutics Group plc changed its name to Acambis plc.

### Principal activity and business review

The last year was one of considerable change at the Company. Completing the sale of our drug discovery business, Mimetrix, to Medivir AB in April enabled us to concentrate on our core activity, the research and development of vaccines to prevent and treat infectious diseases. The directors now believe that the Company is a focused vaccines company with a strong balanced pipeline of products and financial stability provided from our parent company, Acambis plc, and expect the general level of activity of the Company to continue for the next year.

### Results and dividends

The loss for the year after taxation amounted to £4.7m (1999 - £7.1m). No final dividend is recommended by the Directors in the current year (1999 - £nil). In the year to 31 December 2000, the Company generated revenues of £0.3m (1999 - £0.8m).

### Research and development

The Company incurred research and development costs of £3.8m (1999 - £7.7m) during the year which have been written off to the profit and loss account in accordance with the Company's accounting policy.

### Directors

The Directors who served during the year were:

Dr John Brown

Gordon Cameron

Nicolas Higgins

Alan Smith (Non-Executive Director)

The interests of the Directors in the shares of the parent company, Acambis plc, are disclosed in the financial statements of that company. The Directors had no other interests in the shares of the Company.

### Policy on payment of creditors

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been met. At 31 December 2000 the Company had an average of 43 days purchases outstanding in trade creditors.

## Directors' report (continued)

### Political and charitable donations

During the year the Company made contributions amounting to £250 (1999 - £nil) to charitable organisations. There were no political donations. Employees participated in various charitable fundraising activities during the year in aid of charities that included Macmillan Cancer Research Fund and The Children's Promise.

### Auditors

The Directors placed a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors of the Company for the ensuing year.

Peterhouse Technology Park  
100 Fulbourn Road  
Cambridge  
CB1 9PT

By order of the Board

A handwritten signature in black ink, appearing to read 'G. Cameron', written over the printed name.

Gordon Cameron  
Company Secretary

11 October 2001

## Directors' report (continued)

### **Financial Statements, including adoption of going concern**

Company law requires the Directors to prepare financial statements 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 period.

After making enquiries, the Directors have a reasonable expectation that the Company will continue to be provided with adequate support from its parent company. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

### **Other matters**

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 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.

# Auditors' Report

For the year ended 31 December 2000

## **To the Shareholders of Acambis Research Limited:**

We have audited the financial statements on pages 5 to 14, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

## **Respective responsibilities of Directors and Auditors**

As described on page 3 the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

## **Basis of audit 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 circumstances of the Company, 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 the affairs of the Company at 31 December 2000 and of the loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



**Arthur Andersen**

**Chartered Accountants and Registered Auditors**

Betjeman House  
104 Hills Road  
Cambridge  
CB2 1LH

11 October 2001

## Profit and loss account

For the year ended 31 December 2000

		2000		1999
	Notes	Discontinued operations £'000	Continuing operations £'000	Total £'000
<b>Turnover</b>	3	-	265	265
Research and development costs		(643)	(3,131)	(3,774)
Administrative expenses		(81)	(323)	(404)
<b>Operating loss</b>	4	<b>(724)</b>	<b>(3,189)</b>	<b>(3,913)</b>
Exceptional items:				
Profit on sale of discontinued operations	5			414
Amounts written off fixed asset investment	5			(670)
<b>Loss on ordinary activities before finance charges</b>				<b>(4,169)</b>
Interest receivable				4
Interest payable	6			(269)
Exchange loss on foreign currency borrowings	13			(271)
<b>Loss on ordinary activities before and after taxation (being retained loss for the year)</b>	7			<b>(4,705)</b>
				<b>(7,149)</b>

There were no recognised gains or losses in either year, other than the loss on ordinary activities after taxation and therefore a statement of total recognised gains and losses has not been included in these financial statements.

A statement of movements on reserves is given in note 16.

The accompanying notes are an integral part of this profit and loss account.

# Balance Sheet

At 31 December 2000

	Notes	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Tangible assets	10	2,547	3,904
Investments	11	1,465	654
		<u>4,012</u>	<u>4,558</u>
<b>Current assets</b>			
Debtors: amounts receivable within one year	12	513	383
Cash		110	611
		<u>623</u>	<u>994</u>
<b>Creditors: amounts falling due within one year</b>	13	(5,788)	(1,010)
<b>Net current liabilities</b>		<u>(5,165)</u>	<u>(16)</u>
<b>Total assets less current liabilities</b>		(1,153)	4,542
<b>Creditors: amounts falling due after more than one year</b>	14	(34,707)	(35,697)
<b>Net liabilities</b>		<u>(35,860)</u>	<u>(31,155)</u>
<b>Capital and reserves</b>			
Called-up share capital	15	1,240	1,240
Share premium account	16	133	133
Profit and loss account	16	(37,233)	(32,528)
Shareholders' deficit – all equity	17	<u>(35,860)</u>	<u>(31,155)</u>

The accompanying notes are an integral part of this balance sheet.

**Signed on behalf of the Board**



**John Brown**

Chief Executive Officer



**Gordon Cameron**

Chief Financial Officer

11 October 2001

# Notes to financial statements

31 December 2000

## 1 Going concern

After making enquiries and taking into account current losses and management's estimate of future revenues and expenditure and on the understanding that the Company will continue to be provided with financial support from its parent company, Acambis plc, the Directors have a reasonable expectation that the Company will have adequate financial resources to continue in operation for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements. At 31 December 2000, the parent company, Acambis plc, had cash and liquid resources of £20.2m.

## 2 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below:

### a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and United Kingdom generally accepted accounting principles.

### b) Tangible fixed assets

Fixed assets are stated at original historical cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life to its residual value based on prices prevailing at the date of acquisition, as follows:

Leasehold improvements	-	15 years
Fixtures and fittings	-	5 years
Motor vehicles	-	4 years
Laboratory equipment	-	4 to 7 years
Computers and office equipment	-	3 to 4 years

The carrying values of tangible fixed assets are subject to review and any impairment is charged to the profit and loss account.

### c) Investments

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

### d) Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

### e) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the financial statements and by tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences that will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences that, in the opinion of the Directors, will probably not reverse.



## Notes to financial statements (continued)

### 2 Accounting policies (continued)

#### f) *Turnover*

Turnover comprises the value of sales (excluding VAT, similar taxes and trade discounts) and income derived from licence fees, contract research fees, development milestone payments and royalties received from third parties in the normal course of business. Contract research fees are recognised in the accounting period in which the related work is carried out. Access fees and milestone payments are recognised when they fall contractually due.

#### g) *Research and development*

Research and development costs are written off in the period in which they are incurred.

#### h) *Government grants*

Grants intended to contribute towards specific costs are recognised in line with the proportion of those costs incurred and are netted off against research and development costs.

#### i) *Pension costs*

All schemes are defined contribution schemes and pension contributions are charged to the profit and loss account in the year to which they relate. Any difference between amounts charged to the profit and loss account and contributions paid is shown in the balance sheet under creditors falling due within one year.

#### j) *Leases*

The cost of operating leases is charged to the profit and loss account on a straight-line basis over the lease term, even if rental payments are not made on such a basis.

#### k) *Cash flow statement*

Under the provisions of Financial Reporting Standard No. 1 (Revised) "Cash Flow Statements", the Company has not prepared a cash flow statement because its financial statements are consolidated into those of Acambis plc for which a group cash flow statement is prepared and are publicly available.

### 3 Turnover

The geographical analysis of turnover by destination is as follows:

	2000	1999
	£'000	£'000
United Kingdom	65	287
Europe	200	129
North America	-	341
	<u>265</u>	<u>757</u>

All turnover originates in the United Kingdom from the Company's principal activity.

## Notes to financial statements (continued)

### 4 Discontinued operations

On 14 April 2000, the Company completed the disposal of its interest in its drug discovery business, Mimetrix, to Medivir AB, a Swedish biotechnology company listed on the Stockholm Stock Exchange. The results of Mimetrix up to 31 March 2000 (the date from which Medivir AB assumed the obligations of Mimetrix's operating activities) and the comparatives for the year ended 31 December 1999 are shown under discontinued operations as follows:

	2000	1999
	£'000	£'000
Turnover	-	334
Research and development costs	(643)	(2,806)
Administrative costs	(81)	(457)
<b>Operating loss</b>	<b>(724)</b>	<b>(2,929)</b>
Segment net assets at 31 December	-	(763)

The Mimetrix activities were all UK based.

### 5 Exceptional items

#### Profit on sale of discontinued operations

As referred to in note 4, during the year the Company completed the sale of its drug discovery activities, Mimetrix, to Medivir AB. The Company received 95,000 new shares in Medivir AB valued at £1.5m at the time of completion (£0.8m at 31 December 2000). The book values of the identifiable assets and liabilities sold are set out below:

	£'000
Sale of business comprises:	
Fixed assets	971
Debtors	12
Creditors	(160)
Net profit on disposal	414
Consideration	<u>1,237</u>
Satisfied by:	
Equity investment in Medivir AB	1,480
Disposal expenses	<u>(243)</u>
	<u>1,237</u>

The £0.4m profit on disposal (net of expenses) has been shown as an exceptional item.

#### Amounts written off fixed asset investment

In accordance with FRS 11, Impairment of Fixed Assets and Goodwill, the investment held in Medivir AB has been written down to market value at the year end resulting in an exceptional loss of £0.7m.

## Notes to financial statements (continued)

### 6 Interest payable and similar charges

	2000	1999
	£'000	£'000
On bank overdraft	269	15

### 7 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2000	1999
	£'000	£'000
Depreciation on owned tangible fixed assets	464	729
Hire of office equipment and motor vehicles under operating leases	16	18
Other operating lease rentals	533	632
Auditors' remuneration has been borne by the parent company.		

### 8 Staff costs

The average monthly number of employees (including Executive Directors) was:

	2000	1999
	Number	Number
Research and development	29	66
Administration	19	20
	48	86

Their aggregate remuneration comprised:

	2000	1999
	£'000	£'000
Wages and salaries	1,084	2,467
Social security costs	247	241
Pension costs	170	147
	1,501	2,855

### 9 Directors' remuneration, interests and transactions

#### *Directors' remuneration*

Fees for Non-Executive Directors and salaries for the services of Executive Directors are paid by Acambis plc and are disclosed in the consolidated financial statements of that Company.

## Notes to financial statements (continued)

### 10 Tangible fixed assets

The movement in the year was as follows:

	Leasehold improvements £'000	Fixtures and fittings £'000	Motor vehicles £'000	Laboratory equipment £'000	Computer and office equipment £'000	Total £'000
<b>Cost</b>						
At 1 January 2000	2,144	99	22	2,957	447	5,669
Additions	23	-	-	43	19	85
Disposals	-	-	-	(1,747)	(64)	(1,811)
At 31 December 2000	2,167	99	22	1,253	402	3,943
<b>Depreciation</b>						
At 1 January 2000	105	23	10	1,240	387	1,765
Charge for year	144	20	5	254	41	464
Disposals	-	-	-	(773)	(60)	(833)
At 31 December 2000	249	43	15	721	368	1,396
<b>Net book value</b>						
At 1 January 2000	2,039	76	12	1,717	60	3,904
<b>At 31 December 2000</b>	<b>1,918</b>	<b>56</b>	<b>7</b>	<b>532</b>	<b>34</b>	<b>2,547</b>

The Company does not hold any assets under finance leases.

Disposals include assets sold as part of the Mimetrix business (see note 5).

Contributions of £2.2m received during 1998 and 1999 from the developer towards the cost of fitting out the facility at Peterhouse Technology Park have been netted off against costs within leasehold improvements.

### 11 Fixed asset investments

	2000 £'000	1999 £'000
Shares in Acambis plc	654	654
Trade investment	811	-
	<u>1,465</u>	<u>654</u>
<b>Cost</b>		
At 1 January 2000	654	-
Additions	-	1,480
At 31 December 2000	654	1,480
<b>Amounts provided</b>		
At 1 January 2000	-	-
Provided in the year	-	669
At 31 December 2000	-	669
<b>Net book value at 31 December 2000</b>	<u>654</u>	<u>811</u>

## Notes to financial statements (continued)

### 11 Fixed asset investments (continued)

Additions represent 95,000 new shares in Medivir AB, valued at £1.5m, received as consideration for the sale of the Mimetrix business. This investment has been revalued to market value of £0.8m at 31 December 2000, resulting in an exceptional loss in the year of £0.7m (see note 5).

### 12 Debtors: amounts receivable within one year

	2000	1999
	£'000	£'000
Trade debtors	120	91
Other debtors	160	24
Prepayments and accrued income	233	268
	<u>513</u>	<u>383</u>

### 13 Creditors: amounts falling due within one year

	2000	1999
	£'000	£'000
Overdraft facility	4,686	-
Trade creditors	464	408
Other taxes and social security	50	83
Other creditors	5	-
Accruals	583	519
	<u>5,788</u>	<u>1,010</u>

Under the terms of the agreement between Acambis and Evans Vaccines Ltd, given certain conditions, the obligation under the overdraft facility for the costs incurred on the Arilvax® project may be repayable within one year. As such the amount outstanding on the facility at 31 December 2000 of £4.7m (\$7.0m) has been reclassified on the balance sheet and included within "Creditors: amounts due within one year". Interest is charged as disclosed in note 6.

During the year, £0.3m (1999 - £nil) was recorded as an exchange loss on the face of the profit and loss account, resulting from the revaluation of the US dollar denominated facility.

The original overdraft facility expired in January 2001 but has been renewed for a further year from that date.

### 14 Creditors: amounts falling due after more than one year

	2000	1999
	£'000	£'000
Long-term overdraft facility	-	1,989
Amounts owed to group undertakings	34,707	33,708
	<u>34,707</u>	<u>35,697</u>

The amount outstanding on the overdraft facility at 31 December 2000 of £4.7m (1999 £2.0m) has been reclassified on the balance sheet and included within "Creditors: amounts falling due within on year" (see note 13).

## Notes to financial statements (continued)

### 15 Called-up share capital

	Number	£'000
<i>Authorised ordinary shares of £1 each</i>		
1 January 2000	1,700,000	1,700
31 December 2000	1,700,000	1,700
<i>Allotted, called-up and fully paid ordinary shares of £1 each</i>		
1 January 2000	1,240,212	1,240
31 December 2000	1,240,212	1,240

### 16 Reserves

	Share premium account £'000	Profit and loss account £'000
1 January 2000	133	(32,528)
Retained loss for the year	-	(4,705)
31 December 2000	133	(37,233)

### 17 Reconciliation of movements in shareholders' deficit

	2000 £'000	1999 £'000
Retained loss for the year and net increase in shareholders' deficit	(4,705)	(7,149)
Opening shareholders' deficit	(31,155)	(24,006)
<b>Closing shareholders' deficit</b>	<b>(35,860)</b>	<b>(31,155)</b>

### 18 Financial commitments

#### a) Lease commitments

The Company has entered into non-cancellable leases in respect of equipment during the year. The total rental for the year was £0.004m (1999 - £0.02m). The rentals for the year on land and building leases were £0.53m (1999 - £0.53m).

The minimum annual rentals under the foregoing leases are as follows:

	Property		Vehicles and equipment	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Operating leases which expire:				
Within one year	11	6	3	-
Within two to five years	-	-	1	4
More than five years	520	520	-	-
	<b>531</b>	<b>526</b>	<b>4</b>	<b>4</b>

In March 2000, the Company entered into a sub-lease with Medivir UK Limited in respect of 50% of the facility at Peterhouse Technology Park. The sub-lease expires in September 2003, and provides that Medivir UK Limited will pay the Company £0.3m per annum in lease rentals.

## Notes to financial statements (continued)

### **18 Financial commitments (continued)**

#### *b) Capital commitments*

At the end of the year, capital commitments contracted but not provided for were £0.01m (1999 - £0.09m).

#### *c) Pension arrangements*

The Company provides pension benefits to all full-time employees on a defined contribution basis. The Company operated a self-administered, Inland Revenue approved pension scheme for Executive Directors and a limited number of senior employees. Other employees may operate private personal pension schemes. The pension cost for the year was £0.2m (1999 - £0.2m). At the year end the Company owed £0.02m (1999 - £0.06m) to the pension schemes. This amount is shown in the balance sheet under "Creditors: amounts falling due within one year".

### **19 Related Party Transactions**

The Company is a wholly owned subsidiary of Acambis plc, whose consolidated financial statements are publicly available, and is therefore exempt from the requirements of Financial Reporting Standard Number 8, Related Party Disclosures to disclose transactions with other members of the Group.

Since 14 April 2000 the Company has invoiced Medivir UK Limited for the provision of central services to the sum of £0.7m (1999 - £nil). The central services relate to the provision of a full administrative function, as set out in a formal agreement between the two parties. This agreement includes provision for the Company to charge Medivir UK Limited for the sub-lease for part of the facility at Peterhouse Technology Park. In addition the Company has raised invoices totalling £0.5m (1999 - £nil) in respect of other liabilities incurred on behalf of Medivir UK Limited. At 31 December 2000, amounts owed by Medivir UK Limited to the Company were £0.2m.

### **20 Ultimate parent company**

The Company is a subsidiary undertaking of Acambis plc, a company registered in England and Wales.

The only group of which Acambis Research Limited is a member and for which group financial statements are drawn up is that headed by Acambis plc whose principal place of business is at Peterhouse Technology Park, 100 Fulbourn Road, Cambridge, CB1 9PT. The consolidated financial statements of this Group are available to the public.