

Signed Draft 24.12.99

3459808

24 December 1999

**SHARE PURCHASE AGREEMENT
RELATING TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
CAMBRIDGE DRUG DISCOVERY LIMITED**

between

CAMBRIDGE GENETICS LIMITED

DR MARK BUSHFIELD AND OTHERS

and

OXFORD MOLECULAR GROUP PLC

WEIL, GOTSHAL & MANGES



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THIS AGREEMENT is made on 24 December, 1999 between the following parties:

- (1) **DR MARK BUSHFIELD, DR BARRY KENNY, DR DAVID PARRY- SMITH and DR JONATHAN MARK TREHERNE**, whose names and addresses are set out in Schedule 1 (together the **"Individual Shareholders"** and each an **"Individual Shareholder"**);
- (2) **OXFORD MOLECULAR GROUP PLC**, a company incorporated in England (registered no. 2869950), whose registered office is at The Medawar Centre, Oxford Science Park, Oxford OX4 4GA (**"Oxford Molecular"**);
- (3) **CAMBRIDGE GENETICS LIMITED**, a company incorporated in England (registered no. 3459808), whose registered office is at Babraham Hall, Babraham, Cambridgeshire CB2 4AT (the **"Purchaser"**).

IT IS AGREED as follows:

1 INTERPRETATION

1.1 In this Agreement:

"Accounts"	means the Company's accounts (as that term is used in section 226(1) of the Act) for the financial year ended on the Last Accounting Date, the auditors' report on those accounts and the directors' report for that year;
"Act"	means the Companies Act 1985;
"Articles"	means the Articles of Association of the Company to be adopted at Completion
"B" Ordinary Shares"	means "B" ordinary shares of £1 each in the capital of the Purchaser;
"Business Day"	means a day other than a Saturday or Sunday or public holiday in England and Wales;
"Company"	means Cambridge Drug Discovery Limited, a company incorporated in England and Wales

(registered number 3425102), whose registered office is at Cambridge Science Park, Milton Road, Cambridge CB4 0FG;

"Company's Solicitors"

means Wacks Caller of Steam Packet House, 76 Cross Street, Manchester M2 4JU;

"Completion"

means completion of the sale and purchase of the Shares in accordance with this Agreement;

"Completion Date"

means the date of Completion in accordance with sub-clause 4.1

"Confidential Information"

means all information of a confidential nature which is used in or otherwise relates to the Company's business, customers or financial or other affairs, including, without limitation, information relating to:

- (a) the marketing of goods or services including, without limitation, customer names and lists and other details of customers, sales targets, sales statistics, market share statistics, prices, market research reports and surveys, and advertising or other promotional materials; or
- (b) future projects, business development or planning, commercial relationships and negotiations;

but does not include (i) information which is made public by, or with the consent of, the Purchaser (ii) information which is at the date of this Agreement in the public domain (iii)

information which enters the public domain after the date of this Agreement other than as a result of any breach of this Agreement and (iv) Oxford Molecular Confidential Information;

“Consideration Shares”

means the 22,500 Purchaser Shares to be issued credited as fully paid to the Vendors, in the respective amounts set opposite each Vendor’s name in the third column of Schedule 1, pursuant to clause 2 together comprising 9.75% of the enlarged issued share capital of the Purchaser following completion of the Fundraising and assuming that options over 35,692 Purchaser Shares have been exercised;

“Deed of Termination”

the deed of termination dated 24 December 1999 between J. Treherne and others, Oxford Molecular Limited and the Company;

“Disclosure Letter”

means the letter from the Vendor Warrantors to the Purchaser in relation to the Vendor Warranties having the same date as this Agreement;

“Encumbrance”

means a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) or any right to a dividend payment arising on any shares of the Company in existence prior to the Completion Date, having similar effect;

“Environmental”

means

- (a) land, including, without limitation, surface land and natural and man-made structures;
- (b) water, including surface waters, ground waters and water in drains and sewers; and
- (c) air, including, without limitation, air inside buildings and other natural and man-made structures above or below ground;

“Environmental Law”

means applicable law (whether civil, criminal or administrative), with regard to the pollution or protection of the Environment, harm to or the protection of the health of humans, animals or plants including, laws relating to:

- (a) radiation;
- (b) the release or discharge of industrial, radioactive, dangerous, toxic or hazardous substances, waste and genetically modified organisms into the Environment; and
- (c) the generation, manufacture, processing, use, treatment, storage, distribution, disposal, transport or handling of any of the substances, waste and organisms referred to in paragraph (c);

“Environmental Permit”

means a Permit concerned with the pollution or protection of the Environment (including the disposal of waste or harm to or the protection of

health of humans);

“Fundraising”

means the subscription by certain investors of 55,300 “B” Ordinary Shares in accordance with the terms of a subscription agreement to be entered into by the Purchaser with certain investors.

“Head Leases”

means:

- (a) the Lease Agreement dated 23rd April 1999 between Oxford Molecular Limited and Textron Finance Company Limited; and
- (b) the Lease Agreement dated 23rd April 1999 between Oxford Molecular Limited and Hewlett Packard International Bank Limited;

“Individual Shareholder Shares”

means the 8001 fully paid ordinary shares of 10 pence each of the Company held by the Individual Shareholders in the numbers set out against each Individual Shareholders name in column 2 of Schedule 1;

“Intellectual Property”

means:

- (a) patents, trade marks, service marks, registered designs, applications for any of those rights, trade and business names (including internet domain names and e-mail address names), unregistered trade marks and service marks, copyrights, database rights, know-how, rights in designs and inventions; and

(b) the right to sue for past infringements of any of the foregoing rights;

in each case in any jurisdiction;

"Intellectual Property Rights" means all Intellectual Property owned or used by the Company in its business other than the Licenced Intellectual Property;

"Last Accounting Date" means 31 December 1998;

"Licenced Intellectual Property" means any Intellectual Property which is licenced to the Company by a third party;

"Loan Note" means the loan note in the agreed form to be issued by the Purchaser to Oxford Molecular at Completion for the zero coupon unsecured loan of £1,000,000;

"Management Accounts" means the unaudited profit and loss account of the Company in respect of the period starting on the day after the Last Accounting Date and ending on 30 November 1999 and the unaudited balance sheet of the Company as at 30 November 1999 to which the Management Accounts have been drawn;

"Ordinary Shares" means the 10,000 fully-paid ordinary shares of 10 pence each of the Company comprising the whole of the allotted and issued ordinary share capital of the Company;

"Oxford Molecular Confidential Information" means any information which (a) would, but for the exclusion in paragraph (iv) of the definition of Confidential Information, fall within the definition of Confidential Information and (b) is known to Oxford Molecular or any Oxford Molecular Group Undertaking (or any of their

respective officers or employees) by virtue of or in connection with any products and/or services supplied or provided by way of sub-contract or similar arrangements by the Company to any customer of Oxford Molecular or any Oxford Molecular Group Undertaking (or any tender or quotation for any such products and/or services);

“Oxford Molecular Group Undertaking”

means any company which is a subsidiary of Oxford Molecular at the date of this Agreement together with Prolysis Limited;

“Oxford Molecular Shares”

means the 1,999 fully paid ordinary shares of 10 pence each of the Company and the 31,469,041 preference shares of 10 pence each of the Company held by Oxford Molecular.

“Permit”

means a permit, licence or consent necessary in any jurisdiction for the effective operation of the Company’s business, its ownership, possession, occupation or use of an asset or the execution or performance of this Agreement;

“Preference Shares”

means the 31,469,041 fully paid preference shares of £1 each of the Company comprising the whole of the allotted and issued preference share capital of the Company;

“Property”

means the property or properties details of which are set out in Schedule 6;

“Purchaser Warranty”

means a statement contained in clause 8 and Schedule 9 and **“Purchaser Warranties”** means all those warranties;

“Purchaser Disclosure Letter”

means the letter from the Purchaser to the

	Individual Shareholders in relation to the Purchaser Warranties having the same date as the date of this Agreement;
"Purchaser Shares"	ordinary shares of £1 each of the Purchaser;
"Purchaser's Solicitors"	Weil, Gotshal & Manges of One South Place, London EC2M 2WG
"Relevant Claim"	means a claim by the Purchaser involving or relating to breach of a Warranty;
"Resolutions"	the written resolutions of the Purchaser's shareholders in the agreed form;
"Shares"	the Ordinary Shares and the Preference Shares;
"Senior Employees"	means Dr Kiran Gulati, Dr Neill Castle and Simon Fogarty;
"Sub Lease"	means the Lease Agreement dated 17th June 1999 between Oxford Molecular Limited and the Company; and
"Tax" and "Taxation"	has the meaning given in the Warranties;
"Taxes Act"	means the Income and Corporation Taxes Act 1988;
"TCGA"	means the Taxation of Chargeable Gains Act 1992;
"VATA"	means, in the United Kingdom, the Value Added Tax Act 1994 and, in a jurisdiction outside the United Kingdom, any equivalent legislation;
"Vendors"	means the Individual Shareholders and Oxford Molecular;

“Warrantors”	means the persons whose names and addresses are set out in Schedule 2; and
“Warranty”	means a statement contained in clause 5 and Schedule 5 and “Warranties” means all those statements.

1.2 In this Agreement, a reference to:

- 1.2.1** a **“subsidiary undertaking”** or **“parent undertaking”** is to be construed in accordance with section 258 of the Act and a **“subsidiary”** or **“holding company”** is to be construed in accordance with section 736 of the Act;
- 1.2.2** a document in the **“agreed form”** is a reference to a document in a form approved and for the purposes of identification signed by or on behalf of each party;
- 1.2.3** a statutory provision includes a reference to the statutory provision as modified or re-enacted or both from time to time before the date of this Agreement and any subordinate legislation made under the statutory provision before the date of this Agreement;
- 1.2.4** a person includes a reference to a body corporate, association or partnership;
- 1.2.5** a person includes a reference to that person’s legal personal representatives and successors; and
- 1.2.6** a clause, paragraph or Schedule, unless the context otherwise requires, is a reference to a clause or paragraph of or Schedule to this Agreement.

1.3 The headings in this Agreement do not affect its interpretation.

1.4 All rights and obligations of the Vendors (or each of them) contained in this Agreement are several. For the avoidance of doubt, neither Oxford Molecular nor the Individual Shareholders shall have any liability under this Agreement by reason of or arising out of any breach by the other (or any of them) of their obligations under this Agreement.

2 SALE AND PURCHASE

- 2.1** Each of the Vendors agrees to sell and the Purchaser agrees to buy those Ordinary Shares and/or Preference Shares set out opposite that Vendor's name in the second column of Schedule 1 together with each right attaching to the Ordinary Shares and/or Preference Shares on Completion, free of any Encumbrance.
- 2.2** The consideration for the sale and purchase of the Oxford Molecular Shares shall be the sum of £2,025,000 of which;
- 2.2.1** £650,000 shall be due and payable to Oxford Molecular by telegraphic transfer or otherwise for value in cash on the Completion Date in respect of the transfer of the Preference Shares held by Oxford Molecular;
- 2.2.2** £1,000,000 shall be satisfied by the issue of the Loan Note at the Completion Date in respect of the transfer of the Preference Shares held by Oxford Molecular; and
- 2.2.3** £375,000 shall be satisfied by the allotment and issue on the Completion Date of the number of Consideration Shares set out opposite Oxford Molecular's name in the third column of Schedule 1 credited as fully paid at £50 per share and free from all Encumbrances in relation to the 1,999 Ordinary Shares held by Oxford Molecular;
- 2.3** The consideration for the sale and purchase of the Individual Shareholder Shares shall be the sum of £750,000 which shall be satisfied by the allotment and issue on the Completion Date of the number of Consideration Shares set out opposite each Individual Shareholders name in the third column of schedule 1 credited as fully paid at £50 per share and free from all Encumbrances.
- 2.4** The Consideration Shares will be subject to the rights and obligations set out in the Articles of Association of the Purchaser in the agreed form.
- 2.5** Oxford Molecular warrants to the Purchaser that it holds the legal and beneficial title to the number of Ordinary Shares and Preference Shares set out opposite its name in Schedule 1 free from all Encumbrances and has the power and authority to execute and perform this Agreement.

- 2.6 The Purchaser shall use its reasonable endeavours to procure purchasers for the Consideration Shares allotted to Oxford Molecular pursuant to this Agreement as soon as reasonably practicable following Completion in a manner which the board of the Purchaser deems appropriate, and in respect of which Consideration Shares Oxford Molecular shall not be required to give any warranties or indemnities other than to the effect that it has not encumbered such Consideration Shares in any way.

3 CONDITIONS

- 3.1 Completion is conditional on the following conditions being satisfied by the Purchaser, on or before the date set for Completion in clause 4.1:

3.1.1 the passing without amendment of the Resolutions;

3.1.2 the execution of a subscription agreement between the Purchaser and certain investors to raise £2,765,000 by the issue of 55,300 "B" Ordinary Shares.

- 3.2 The Purchaser shall make all reasonable efforts to achieve satisfaction of each condition so far as it is able set out in clause 3.1 as soon as possible and in any event before the date set for Completion in clause 4.1;

- 3.3 Completion is conditional on the following condition being satisfied by the Vendors, on or before the date set for Completion in clause 4.1:

3.3.1 the delivery of the executed Deed of Termination.

4 COMPLETION

- 4.1 Subject to satisfaction of the conditions set out at clause 3 Completion shall take place at the offices of the Purchaser's Solicitors on 24 December 1999.

- 4.2 At Completion each Vendor shall deliver to the Purchaser each item specified in Part A of Schedule 4 as being delivered by it on Completion.

- 4.3 At Completion the Individual Shareholders will procure that the Company's directors shall hold a meeting of the board of directors of the Company at which the directors shall vote in favour of the registration of the Purchaser or its nominee(s) as member(s) of the Company in respect of the Shares (subject to the production of properly stamped transfers).

- 4.4** At Completion Oxford Molecular shall deliver to the Purchaser all PAYE, accounting and employee records relating to the Company in its possession.
- 4.5** At Completion the Purchaser shall:
- 4.5.1** give the Vendors evidence in a form reasonably satisfactory to the Vendors of satisfaction of the conditions set out in clause 3.1;
 - 4.5.2** allot and issue credited as fully paid and free and clear of all Encumbrances to each of the Vendors the number of Consideration Shares as set out opposite their respective names in the third column of Schedule 1 on terms that the Consideration Shares rank pari passu in all respects with all existing Purchaser Shares;
 - 4.5.3** issue the Loan Note and deliver to Oxford Molecular the Loan Note duly executed by the Purchaser; and
 - 4.5.4** hold a meeting of the board of directors of the Purchaser at which the board shall:
 - (a)** appoint Dr Mark Bushfield and Dr Jonathan Mark Treherne to the board of the Purchaser; and
 - (b)** with effect from the end of the meeting, authorise the secretary to notify the specimen signatures of the new officers of the Purchaser in connection with each existing mandate given by the Purchaser and each of its subsidiaries for the operation of its/their bank accounts;
 - 4.5.5** deliver to the Vendors each item as specified in Part B of Schedule 4.
- 4.6** Neither the Purchaser nor the Vendors are obliged to complete this Agreement unless:
- 4.6.1** the Vendors and the Purchaser comply with all their respective obligations under clause 4; and
 - 4.6.2** the purchase of all the Ordinary Shares and the Preference Shares are completed simultaneously.

5 VENDOR WARRANTIES

- 5.1 Each of the Warrantors severally warrant to the Purchaser as at the date of this Agreement each of the statements set out in Schedule 5 is true and accurate in all respects and not misleading in any respect.
- 5.2 The Warranties are qualified by the facts and circumstances fairly and specifically disclosed in or by the Disclosure Letter.
- 5.3 Where the expression “so far as the Warrantors are aware” or “to the best of the knowledge of the Warrantors” or any similar expression is used in Schedule 5 it shall mean to the best of the knowledge, information and belief of the Vendor Warrantors after having made due and careful enquiry of Senior Employees.
- 5.4 The Warranties set out in paragraphs 1.1, 1.4 and 2 in Schedule 5 shall be given by each Warrantor only in relation to the Ordinary Shares held by the Warrantor as set out opposite the relevant Warrantors name in Schedule 1.
- 5.5 The total liability of each of the Warrantors in respect of all claims under the Warranties shall be £20,000:
- 5.6 No liability shall attach to the Warrantors in respect of claims under the Warranties unless the aggregate cumulative amount payable by the Warrantors in respect of all such claims exceeds £25,000 whereupon the Warrantors shall, subject always to clause 5.5, be liable for the whole of such claims and not merely for the excess.
- 5.7 All claims under the Warranties shall be made in writing to the parties claimed against (specifying particulars of the claim in reasonable detail based on the information in the possession of the party making the claim) no later than 18 months after the date of this Agreement (the “**Relevant Date**”) provided that notice of such potential claim shall have been given by the Purchaser to the Warrantor(s) before the Relevant Date.
- 5.8 If the Purchaser makes a claim against any of the Warrantors for breach of Warranty, none of the Warrantors shall have or pursue any claim or third party action to join in, claim against, seek a contribution from or otherwise claim or seek damages or compensation from the Company or Oxford Molecular or any other company which is its subsidiary or any of their respective officers or employees.

- 5.9** The limitations in this clause 5 shall not apply to claims against a Warrantor which (or delay in discovery of which) are the consequence of fraud by that Warrantor.
- 5.10** The Warranties shall survive Completion.
- 5.11** Any claim under the Warranties shall (if it has not been previously satisfied, settled or withdrawn) be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by both being issued and served on the Vendor Warrantors within six months of notification of such claim pursuant to clause 5.7 above.
- 5.12** The Warrantors shall have no liability whatsoever in respect of any claim under the Warranties to the extent that:
- 5.12.1** the matter giving rise to the claim would not have arisen but for the passing of, or any change in, after the date of this Agreement any law, rule, regulation, interpretation of the law or administrative practice of any government, governmental department, agency or regulatory body or any increase in the rates of taxation or any imposition of taxation, in any such case not actually or prospectively in force at the date of this Agreement; or
 - 5.12.2** the matter giving rise to the claim is an amount for which the Company has a right to make recovery or is entitled to claim indemnity from any person and notwithstanding any material recovery already made, whether under any provision of applicable law, an insurance policy or otherwise;
 - 5.12.3** such liability would not have arisen but for some voluntary act or transaction carried out by or on behalf of the Purchaser and/or the Company after the Completion Date done or suffered outside the ordinary course of business of the Company and other than pursuant to a legally binding obligation entered into by the Company;
 - 5.12.4** subject to sub-clause 5.12.3 such liabilities arise wholly or partly out of as a result of or in connection with:-
 - (a)** any change in the nature of the business of the Company (or in the manner of conducting the same) after Completion which is authorised by the Purchaser; or

- (b) any asset acquired or disposed of by the Company after Completion which is authorised by the Purchaser pursuant to this Agreement; or
- (c) the passing of a resolution for the winding up of the Company after Completion; or
- (d) any change in the format, matter, bases, priorities and principles used in the preparation of the accounts of the Company from those used and adopted in the Accounts after Completion; or
- (e) any matter fairly disclosed in the Accounts or Management Accounts after Completion.

5.12.5 such liabilities arise in relation to any fact, matter or circumstance which would be revealed by:-

- (a) documents relating to the Properties delivered by the Warrantors to the Purchaser prior to Completion;
- (b) the statutory books and registers (including minute books) of the Company in the form produced to the Purchaser's Solicitors prior to Completion;

5.12.6 any matters which appear as a matter of a public record, including but not limited to matters appearing on the file at Companies House in respect of the Company as at 20 December, 1999.

5.13 The Warrantors shall be entitled to require the Purchaser or the Company to take all such reasonable steps or proceedings as the Warrantors may consider appropriate in order to mitigate any claim in respect of such liabilities or in respect of the undertakings in this Agreement and the Purchaser shall procure that the Company shall act in accordance with any such requirements (subject to the Purchaser and/or the Company being indemnified by the Warrantors against all reasonable costs and expenses incurred in connection therewith and subject to there being no adverse effect to the general trading and goodwill of the business of the Company). For the purpose of enabling the Warrantors to remedy a breach or to mitigate or otherwise determine the amount of any claim or to decide what steps or proceedings should be taken in order to mitigate any claim the Purchaser shall:-

- 5.13.1** give notice to the Warrantors within two months of any breach or circumstance giving or likely to give rise to a breach coming to its notice or to the notice of the Company;
- 5.13.2** make or procure to be made available to the Warrantors or their duly authorised representatives all relevant personnel, books of accounts, records and correspondence of the Company for the purpose of enabling the Vendor Warrantors to ascertain or extract any relevant information during normal working hours and upon reasonable notice; and
- 5.13.3** make no admission of the fact or amount of any liability on the part of the Company or the Purchaser without the prior written consent of the Warrantors, such consent not to be unreasonably withheld or delayed.
- 5.14** The Warrantors acknowledge that the Purchaser:

 - 5.14.1** may rely on the Warranties in warranting to any subsequent Purchaser of all or any of the Shares or of all or any part of the undertaking of the Company.
 - 5.14.2** the Warrantors and the Purchaser acknowledge that the Warranties are qualified by the facts and circumstances fairly and specifically disclosed in the Disclosure Letter.
 - 5.14.3** each Warranty is to be construed independently and (except where this Agreement provides otherwise) is not limited by a provision of this Agreement or another Warranty.
 - 5.14.4** each of the Warrantors undertakes to disclose in writing to the Purchaser anything which is or may constitute a claim under the Warranties or be inconsistent with the contents of the Disclosure Letter directly it comes to the notice of it either before or at the time of Completion.
 - 5.14.5** any amount paid by the Warrantors to the Purchaser in respect of any of the provisions of this Agreement shall be treated as paid to the Purchaser by way of pro rata reduction in the Consideration.

6 USE OF INTELLECTUAL PROPERTY RIGHTS

- 6.1** Oxford Molecular shall not and shall procure that no Oxford Molecular Group Undertaking shall either alone or jointly with, through or as manager, adviser, consultant or agent for a person, directly or indirectly use or authorise, encourage or assist any person to use in connection with a business which competes, directly or indirectly, with a business of the Company as operated at the date of this Agreement, any of the Intellectual Property Rights.
- 6.2** The provisions of clause 6.1 are subject to clause 7.6 and shall not apply to Oxford Molecular Confidential Information or to any Intellectual Property owned by Oxford Molecular or any Oxford Molecular Group Undertaking.

7 FURTHER UNDERTAKINGS OF OXFORD MOLECULAR

- 7.1** Oxford Molecular undertakes to the Purchaser, for itself and as agent and trustee for the Company, that it will not do any of the following things:
- 7.2** For a period of 2 years starting on the date of this Agreement, do or say anything which is harmful to the Company's goodwill (as subsisting at the date of this Agreement) or which may lead a person who has dealt with the Company at any time during the twelve months prior to the date of this Agreement to cease to deal with the Company or do or say anything which is harmful to the Company's working relationship with Oxford GlycoSciences Limited;
- 7.3** For a period of 2 years starting on the date of this Agreement on its own account or in conjunction with or on behalf of any other person in respect of the products or services of a business of the Company either seek to obtain orders from, or do business with, or encourage directly or indirectly another person to obtain orders from or do business with, a person who has been a customer of that business at any time during the twelve months prior to the date of this Agreement for the products or services of that business in its territory of operation;
- 7.4** For a period of 2 years starting on the date of this Agreement, solicit or initiate contact with a view to his engagement or employment a director, officer, employee or manager of the Company or a person who was a director, officer, employee or manager of the Company at any time during the twelve months prior to the date of this Agreement, in

either case where the person in question either has Confidential Information or would be in a position to exploit the Company's trade connections ; or

- 7.5** Each undertaking in clause 7.2, 7.3, and 7.4(a) is subject to the provisions of clause 7.6 and (b) constitutes an entirely independent undertaking and if one or more of the undertakings is held to be against the public interest or unlawful or in any way an unreasonable restraint of trade the remaining undertaking shall continue to bind Oxford Molecular.
- 7.6** The Purchaser acknowledges that prior to the date of this Agreement, Oxford Molecular has sought to provide drug discovery solutions to customers in respect of which it may be required to perform services and/or supply products procured by it by way of sub-contract or similar arrangements where neither Oxford Molecular nor an Oxford Molecular Group Undertaking were in a position to perform such services and/or supply such products themselves. The Purchaser further acknowledges that in circumstances such as these, the Company has, amongst others, performed services and/or supplied products as Oxford Molecular's sub-contractor. It is therefore agreed that none of the provisions of this clause 7 shall prevent Oxford Molecular or an Oxford Molecular Group Undertaking from operating in this way (that is to say seeking to provide itself such drug discovery solutions and procuring such sub-contractors (whether or not the company)) following Completion whether or not the persons with whom it aims to deal are or have been suppliers or customers of the Company.

In addition, the foregoing provisions of this clause 7 shall not apply to:

- 7.6.1** the employment or engagement by Oxford Molecular or any Oxford Molecular Group Undertaking of David McKay Blair, David Ricketts or any person who was an employee of the Company or who was seconded to the Company;
- 7.6.2** Prolysis Limited (formerly Microgenics Limited) whether or not at the relevant time it is an Oxford Molecular Group Undertaking;
- 7.6.3** Oxford Glyosciences plc and its subsidiaries; and
- 7.6.4** any person who is or was a customer of, or supplier to, Oxford Molecular or any Oxford Molecular Group Undertaking during the 12 months prior to the date of this Agreement or to whom Oxford Molecular or any of an Oxford

Molecular Group Undertaking has made a presentation or specific proposal for new business during such period.

7.7 The Purchaser hereby undertakes with Oxford Molecular:

7.7.1 not to re-register the Company as an unlimited company until the Purchaser is entered in the register of members of the Company as the holder of the Oxford Molecular Shares and the Individual Shareholder Shares; and

7.7.2 that it will indemnify Oxford Molecular and keep Oxford Molecular fully and effectively indemnified, in each case promptly on demand against any costs (including legal costs on an indemnity basis), claims, demands, calls, expenses and other liabilities (together with any VAT thereon which is not recoverable by Oxford Molecular) which Oxford Molecular may incur, either before or after the commencement of any action, in connection with or arising out of any breach of the terms of clause 7.7.1.

7.8 On receiving the Purchaser's reasonable request Oxford Molecular shall subject to clause 12.5 at its cost:

7.8.1 do and execute, or so far as it is able to procure by using its reasonable endeavours arrange to be done and executed, each act, document and thing necessary to implement this Agreement; and

7.8.2 give to the Purchaser all information it possesses or to which it has access relating exclusively to the Company's business and allow the Purchaser to copy any document containing that information.

7.9 The Purchaser and the Warrantors undertake with Oxford Molecular (for itself and as trustee for all Oxford Molecular Group Undertakings) that they will not, and will procure that the Company will not knowingly for a period of 2 years starting on the date of this Agreement, do or say anything which is harmful to the goodwill (as subsisting at the date of this Agreement) of Oxford Molecular or any Oxford Molecular Group Undertaking or which may lead a person who has dealt with any such company at any time during the twelve months prior to the date of this Agreement to cease to deal with the relevant company. This provision shall not prevent the Purchaser or the Warrantors or the Company from enforcing any right they may have against Oxford Molecular or an Oxford Molecular Group Undertaking.

8 PURCHASER WARRANTIES

- 8.1 The Purchaser warrants to the Individual Shareholders as at the date of this Agreement each of the statements set out in Schedule 9 is true and accurate in all respects and not misleading in any respect.
- 8.2 The Purchaser Warranties are qualified by the facts and circumstances fairly and specifically disclosed in or by the Purchaser Disclosure Letter.
- 8.3 Where the expression “**so far as the Purchaser is aware**” or “**to the best of the knowledge of the Purchaser**” or any similar expression is used in Schedule 9 it shall mean to the best of the knowledge, information and belief of the Purchaser after having made due and careful enquiry of the directors of the Purchaser, the Medical Research Council and in relation only to the warranty set out in paragraph 1 and 2 of Schedule 9, the Individual Shareholders.
- 8.4 The total liability of the Purchaser in respect of all claims under the Purchaser Warranties shall be £80,000:
- 8.5 No liability shall attach to the Purchaser in respect of claims under the Purchaser Warranties unless the aggregate cumulative amount payable by the Purchaser in respect of all such claims exceeds £25,000 whereupon the Purchaser shall, subject always to clause 8.4, be liable for the whole of such claims and not merely for the excess.
- 8.6 All claims under the Purchaser Warranties shall be made in writing (specifying particulars of the claim in reasonable detail based on the information in the possession of the party making the claim) no later than 18 months after the date of this Agreement (the “**Relevant Date**”) provided that notice of such potential claim shall have been given by all the Individual Shareholders to the Purchaser before the Relevant Date.
- 8.7 The Purchaser Warranties shall survive Completion.
- 8.8 Any claim under the Purchaser Warranties shall (if it has not been previously satisfied, settled or withdrawn) be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by both being issued and served on the Purchaser within six months of notification of such claim pursuant to clause 8.6 above.
- 8.9 The Purchaser shall have no liability whatsoever in respect of any claim under the Purchaser Warranties to the extent that:

8.9.1 the matter giving rise to the claim would not have arisen but for the passing of, or any change in, after the date of this Agreement any law, rule, regulation, interpretation of the law or administrative practice of any government, governmental department, agency or regulatory body or any increase in the rates of taxation or any imposition of taxation, in any such case not actually or prospectively in force at the date of this Agreement; or

8.9.2 the matter giving rise to the claim is an amount for which the Purchaser has a right to make recovery or is entitled to claim indemnity from any person and notwithstanding any material recovery already made, whether under any provision of applicable law, an insurance policy or otherwise;

8.9.3 such liabilities arise wholly or partly out of as a result of or in connection with:-

(a) any change in the nature of the business of the Purchaser (or in the manner of conducting the same) after Completion; or

(b) any asset acquired or disposed of by the Purchaser after Completion; or

(c) the passing of a resolution for the winding up of the Purchaser after Completion;

8.9.4 any matters which appear as a matter of a public record, including but not limited to matters appearing on the file at Companies House in respect of the Purchaser as at 20 December, 1999.

8.10 The Purchaser shall be entitled to require the Individual Shareholders to take all such reasonable steps or proceedings as the Purchaser may consider appropriate in order to mitigate any claim in respect of such liabilities or in respect of the undertakings in this Agreement. For the purpose of enabling the Purchaser to remedy a breach or to mitigate or otherwise determine the amount of any claim or to decide what steps or proceedings should be taken in order to mitigate any claim the Individual Shareholders shall:-

8.10.1 give notice to the Purchaser within two months of any breach or circumstance giving or likely to give rise to a breach coming to its notice or to the notice of any Individual Shareholder;

8.10.2 make no admission of the fact or amount of any liability without the prior written consent of the Purchaser, such consent not to be unreasonably withheld or delayed.

8.11 The Individual Shareholders and the Purchaser acknowledge that:

8.11.1 The Purchaser Warranties are qualified by the facts and circumstances fairly and specifically disclosed in the Purchaser Disclosure Letter.

8.11.2 Each Purchaser Warranty is to be construed independently and (except where this Agreement provides otherwise) is not limited by a provision of this Agreement or another Purchaser Warranty.

9 PURCHASER'S REMEDIES

9.1 Any amount paid by the Warrantors to the Purchaser in respect of any of the provisions of this Agreement shall be treated as paid to the Purchaser by way of pro rata reduction in the Consideration.

10 CONFIDENTIAL INFORMATION

Each of the Vendors undertakes to the Purchaser, for itself and as agent and trustee for the Company, that before and after Completion he/it will:

10.1 not use or disclose to any person Confidential Information it has or acquires;

10.2 use his/its best endeavours to prevent the use or disclosure of Confidential Information in the case of Oxford Molecular, by an Oxford Molecular Group Undertaking; and

10.3 Clauses 10.1 and 10.2 do not apply to disclosure of Confidential Information:-

10.3.1 to a director, officer or employee of the Purchaser or of the Company whose function requires him to have the Confidential Information;

10.3.2 required to be disclosed by law, by a rule of a stock exchange on which Oxford Molecular's shares are listed or traded or by a governmental authority or other authority with relevant powers to which Oxford Molecular is subject or submits, whether or not the requirement has the force of law provided that the disclosure shall be made after prior notification to the Purchaser and where

practicable after taking into account the Purchaser's requirements as to its timing, content and manner of making or despatch; or

- 10.3.3 to an adviser for the purpose of advising the Vendors in connection with the transactions contemplated by this Agreement provided that such disclosure is essential for these purposes.

11 ANNOUNCEMENTS

- 11.1 Subject to clause 11.2, no party may, before or after Completion, make or send a public announcement, communication or circular concerning the transactions referred to in this Agreement unless it has first obtained the other parties written consent, which may not be unreasonably withheld or delayed.

- 11.2 Clause 11.1 does not apply to a public announcement, communication or circular:

- 11.2.1 required by law, by a rule of a stock exchange on which either party's shares are listed or traded or by a governmental authority or other authority with relevant powers to which either party is subject or submits, whether or not the requirement has the force of law, provided that the public announcement, communication or circular shall so far as is practicable be made after consultation with the other party and after taking into account the reasonable requirements of the other party as to its timing, content and manner of making or despatch.;

- 11.2.2 made or sent by the Purchaser after Completion to a customer, client or supplier of the Company informing it of the Purchaser's purchase of the Shares; or

- 11.2.3 to the London Stock Exchange announcement in the agreed form to be made by Oxford Molecular;

- 11.3 For the purposes of this clause Jonathan Mark Treherne or failing him Mark Bushfield may approve the contents of a public announcement or communication or circular on behalf of the Individual Shareholders.

12 FINANCE LEASES

12.1 Oxford Molecular shall use its reasonable endeavours to procure and the Purchaser shall use reasonable endeavours to procure (to extent it is able):

12.1.1 the novation of Oxford Molecular Limited's rights and obligations under the Head Leases to the Purchaser and the release of Oxford Molecular from any guarantee or similar obligation entered into in connection with the Head Leases in favour of Textron Finance Company Limited or Hewlett Packard International Bank Limited and in each case only in so far as the Head Leases or such similar guarantee or similar obligations relate to assets which were at the date of the Sub-Lease under the control of the Company; and

12.1.2 the novation of Oxford Molecular Limited's rights and obligations under the Sub-Lease to the Purchaser and the release of Oxford Molecular from any guarantee or similar obligation entered into in connection with the Sub-Lease and in each case only in so far as the Sub-Lease or such guarantee or similar obligations relates to assets which were at the date of the Sub-Lease under the control of the Company.

in each case in terms reasonably satisfactory to the Purchaser and Oxford Molecular and as soon as reasonably practicable following Completion.

12.2 Pending the novations and releases referred to in clause 12.1, the Purchaser hereby undertakes to indemnify Oxford Molecular (for itself and as trustee for Oxford Molecular Limited) and to keep Oxford Molecular and Oxford Molecular Limited fully and effectively indemnified, in each case promptly on demand against any costs or loss (including reasonable legal costs), which they may incur in connection with the Head Leases and the Sub-Lease which directly result from the failure by the Company to comply with the terms of the Sub-Lease or pay a sum properly due and payable under the terms of the Sub-Lease following Completion.

12.3 Pending the novations referred to in clause 12.1 Oxford Molecular shall comply and procure that Oxford Molecular Limited complies with its obligations under the Head Leases and the Sub-Lease and Oxford Molecular hereby undertakes to indemnify the Purchaser (for itself and as agent for the Company) and to keep the Purchaser and the Company fully and effectively indemnified, in each case promptly on demand against any cost or loss (including reasonable legal costs) which the Purchaser or the Company may

incur in connection with the Head Leases and the Sub-Leases which directly result from the failure by Oxford Molecular Limited or any Oxford Molecular Group Undertaking to comply with the terms of the Head Leases or the Sub-Lease or pay a sum properly due under the terms of the Head Leases following Completion.

12.4 Where in this Agreement, any indemnity or other provision is expressed to be given in favour of Oxford Molecular, Oxford Molecular shall be deemed to have entered into such indemnity or other provision for itself and as trustee for each Oxford Molecular Group Undertaking and in the case of Clause 12.2 in respect of Oxford Molecular Limited only (each an "Indemnified Person") on the following basis:

12.4.1 only Oxford Molecular may decide whether or not to enforce an Indemnified Person's right under the trust (and only it may decide the terms and conditions of that enforcement) and investigate a matter, or give information to an Indemnified Person, in connection with the trust;

12.4.2 notwithstanding the trust, Oxford Molecular may enter into an agreement, arrangement or transaction with a person (including, without limitation, the Purchaser and/or the Company) and may deal with their rights under this Agreement without regard to an Indemnified Person's interest and is not liable to account to an Indemnified Person for any benefit realised by that agreement, arrangement, transaction or dealing; and

12.4.3 Oxford Molecular is not liable to another Indemnified Person for any of its acts or omissions as trustee.

12.5 Oxford Molecular and the Purchaser agree that the costs and expenses incurred by them properly and reasonably in seeking the novations and releases referred to in Clause 12.1 shall be borne by Oxford Molecular and the Purchaser in equal shares.

13 COMPETITION

If there are provisions of this Agreement (or of an agreement or arrangement of which it forms part) by virtue of which particulars of this Agreement (or of an agreement or arrangement of which it forms part) are, at the date of this Agreement, required to be furnished to the Director General of Fair Trading under the Restrictive Trade Practices Acts 1976 and 1977 those provisions do not take effect until the day after those particulars have been furnished.

14 COSTS

Except where this Agreement provides otherwise, each party shall pay its own costs relating to the negotiation, preparation, execution and performance by it of this Agreement and of each document referred to in it.

15 GENERAL

- 15.1** *A variation of this Agreement is valid only if it is in writing and signed by or on behalf of each party.*
- 15.2** The failure to exercise or delay in exercising a right or remedy provided by this Agreement or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Agreement or by law prevents further exercise of the right or remedy or the exercise of another right or remedy.
- 15.3** The Purchaser's rights and remedies of the parties contained in this Agreement are cumulative and not exclusive of rights or remedies provided by law.
- 15.4** Except to the extent that they have been performed and except where this Agreement provides otherwise, the obligations contained in this Agreement remain in force after Completion
- 15.5** If a party fails to pay a sum due from it under this Agreement on the due date of payment in accordance with the provisions of this Agreement, that party shall pay interest on the overdue sum from the due date of payment until the date on which its obligation to pay the sum is discharged at the rate of two per cent. per annum above the base rate of Barclays Bank Plc (whether before or after judgment). Interest accrues and is payable from day to day.
- 15.6** After Completion this Agreement may not be rescinded unless for contractual misrepresentation.

16 ENTIRE AGREEMENT

This Agreement sets out the entire agreement and understanding between the Parties in connection with the sale and purchase of the Shares and other matters described in it and supersedes all previous and supersedes all previous negotiations, understandings and agreements, and the Purchaser irrevocably and unconditionally waives any right it may have to rescind this Agreement and/or to claim damages for any misrepresentation whether or not contained in this Agreement or breach of any warranty not contained in this Agreement, unless such misrepresentation or warranty was fraudulently made.

17 ASSIGNMENT

A party may not assign or transfer or purport to assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the other party such consent not to be unreasonably withheld save that the Purchaser may assign or transfer the benefit of this Agreement to another company which is a member of the same group of companies as the Purchaser. In the event that this group member company leaves or takes steps to leave the Purchaser's group, it shall assign or transfer the rights or obligations to another company in the Purchaser's group.

18 NOTICES

18.1 A notice or other communication under or in connection with this Agreement shall be in writing and shall be delivered personally or sent by first class post pre-paid recorded delivery (or air mail if overseas) or by fax to the party due to receive the notice or communication, at its address set out in this Agreement or another address specified by that party by written notice to the others.

18.2 In the absence of evidence of earlier receipt, a notice or other communication is deemed given:

18.2.1 if delivered personally, when left at the address referred to in Schedule 2 for the Individual Shareholders or at its registered office for the time being for the Purchaser or Oxford Molecular;

18.2.2 if sent by mail except air mail, two days after posting it;

18.2.3 if sent by air mail, six days after posting it; and

18.2.4 if sent by fax, on completion of its transmission.

19 GOVERNING LAW AND JURISDICTION

19.1 This Agreement is governed by English law.

19.2 The courts of England have exclusive jurisdiction to hear and decide any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Agreement (respectively, "**Proceedings**" and "**Disputes**") and, for these purposes, each party irrevocably submits to the exclusive jurisdiction of the courts of England.

19.3 Each party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to hear and decide any Proceedings and to settle any Disputes and agrees not to claim that the courts of England are not a convenient or appropriate forum.

20 COUNTERPARTS

This Agreement may be executed in any number of counterparts each of which when executed and delivered is an original, but all the counterparts together constitute the same document.

SCHEDULE 1
VENDORS SHAREHOLDINGS IN THE COMPANY AND
ENTITLEMENT TO CONSIDERATION SHARES

Shareholder	Number of Ordinary Shares held at date of Agreement	Number of Preference Shares held at the date of the Agreement	Number of Consideration Shares
Mark Bushfield	2,000	—	3,750
Barry Aidan Kenny	2,000	—	3,750
David John Parry-Smith	2,000	—	3,750
Jonathan Mark Treherne	2,001	—	3,750
Oxford Molecular Group plc	1,999	31,469,041	7,500
Total	<u>10,000</u>	<u>31,469,041</u>	<u>22,500</u>

SCHEDULE 2
THE VENDOR WARRANTORS

(1) Dr Mark Bushfield	Truscott House, Burrell Way, Balsham Cambs. CB1 6DY
(2) Dr Barry Aidan Kenny	Blois House, Blois Road, Steeple Bumpstead, Haverhill, Suffolk CB9 7BN
(3) Dr David John Parry-Smith	4 Fairfield Way Linton Cambridge CB1 6YP
(4) Dr Jonathan Mark Treherne	20 Cambridge Road, Great Shelford, Cambridge CB2 5JQ

SCHEDULE 3
INFORMATION ABOUT THE COMPANY

- | | | |
|---|---------------------------|---|
| 1 | Registered Number: | 3425102 |
| 2 | Date of Incorporation: | 27th August, 1997 |
| 3 | Place of Incorporation: | England and Wales |
| 4 | Registered Office: | Cambridge Science Park,
Milton Road,
Cambridge CB4 0FG |
| 5 | Type of Company: | Private company limited by shares |
| 6 | Changes of Company Name: | Incorporated as Inhoco 670 Limited
30th October, 1997 name changed to
Cambridge Drug Discovery Limited |
| 7 | Authorised Share Capital: | £3,147,904 divided into 10,000 ordinary shares
of 10 pence each and 31,469,041 preference
shares of 10 pence each |
| 8 | Issued Share Capital: | 10,000 ordinary shares of 10 pence each and
31,469,041 preference shares of 10 pence each |
| 9 | Directors: | (1) David McKay Blair

6 Varrier Jones Drive

Papworth Everard

Cambridge CB3 8GJ |

(2) Dr Mark Bushfield
Truscott House,
Burrell Way,
Balsham
Cambs. CB1 6DY

(3) Ian Archie Gray
11 Meredyth Road,
Barnes,
London SW13 0DS

(4) Dr Barry Aidan Kenny
Blois House,
Blois Road,
Steeple Bumpstead,
Haverhill,
Suffolk CB9 7BN

(5) *Dr David John Parry-Smith*
4 Fairfield Way
Linton
Cambridge CB1 6YP

(6) Dr Jonathan Mark Treherne
20 Cambridge Road,
Great Shelford,
Cambridge CB2 5JQ

10 Secretary:

Dr David John Parry-Smith

11 Accounting Reference Date:

31 December

12 Auditors:

Deloitte & Touche,
Hill House,
1 Little New Street,
London EC4A 3TR

SCHEDULE 4
PART A: ITEMS FOR DELIVERY BY THE
VENDORS AT COMPLETION

At Completion the Vendors or, in the case of Oxford Molecular, only in respect of these items referred to in paragraphs 2, 3, 4, 5, 11 and 15 below shall deliver to the Purchaser:

- 1 evidence in a form reasonably satisfactory to the Purchaser (by way of a certificate of the Vendor's Solicitors or otherwise) of satisfaction of the Conditions set out in clause 2.3;
- 2 duly executed transfer(s) in respect of the Shares to the Purchaser or its nominee(s) and the share certificate(s) for the Shares to be sold by that Vendor;
- 3 as evidence of the authority of each person executing a document referred to in this schedule on Oxford Molecular's behalf:
 - 3.1 a copy of the minutes of a duly held meeting of the directors of the Vendor (or a duly constituted committee thereof) authorising the execution by the Vendor of the document and, where such execution is authorised by a committee of the board of directors of the Vendor, a copy of the minutes of a duly held meeting of the directors constituting such committee or the relevant extract thereof; or
 - 3.2 a copy of the power of attorney conferring the authority in each case certified to be true by a director or the secretary of Oxford Molecular;
- 4 an irrevocable power of attorney in the agreed form duly executed by each of the Vendors and any other registered owner of the Shares in favour of the Purchaser or its nominee(s) generally in respect of the Shares set out opposite the relevant Vendor's name in column 1 and/or 2 of Schedule 1 in the agreed form;
- 5 any waiver, consent, release or other document necessary to give the Purchaser or its nominee(s) full legal and beneficial ownership of the Shares;
- 6 the common seal (if any) of the Company; each register, minute book and other book required to be kept by the Company under the Act made up to the Completion Date; and each certificate of incorporation and certificate of incorporation on change of name for the Company;

- 7 a copy of a letter to the Company from its auditors resigning their office with effect from Completion and containing the statement referred to in section 394 of the Act, the original of the letter having been deposited at the registered office of the relevant company;
- 8 the Management Accounts;
- 9 a copy of each bank mandate of the Company and copies of statements of each bank account of the Company made up to a date not earlier than two Business Days before the Completion Date;
- 10 a duly executed deed of release in respect of each guarantee and charge of the Company in relation to Oxford Molecular.
- 11 evidence in a form satisfactory to the Purchaser that debts and accounts between the Company and Oxford Molecular have been fully paid;
- 12 all documentation relating to the Intellectual Property Rights including (without limitation) the original registration and renewal certificate for each of the Intellectual Property Rights which are registered or pending as at Completion;
- 13 all other documentation relating to the Company which is in the possession of or under the control of the Warrantors;
- 14 letters of resignation in the agreed form from such directors and the Company Secretary of the Company as the parties have agreed;
- 15 Evidence in a form satisfactory to the Purchaser that prior to the Completion Date, all of the debts owed by the Company to Oxford Molecular have been capitalised into preference shares of the Company;
- 16 The Warrantors shall ensure that at Completion a meeting of the board of directors of the Company is held at which the directors:
 - (i) vote in favour of the registration of the Purchaser or its nominee(s) as member(s) of the Company in respect of the Shares (subject to the production of properly stamped transfers);
 - (ii) subject to the Act, change the Company's accounting reference date to a date nominated by the Purchaser;

- (iii) appoint persons nominated by the Purchaser as directors, secretary and auditors of the Company with effect from the end of the meeting;
- (iv) revoke each existing mandate given by the Company for the operation of its bank accounts and pass the resolutions contained in new mandate(s) giving authority to persons nominated by the Purchaser;
- (v) accept the resignations of each director and secretary so as to take effect from the end of the meeting; and
- (vi) the execution and completion of other documents to be entered into by the Vendors and/or the Company under this Agreement.

**PART B: ITEMS FOR DELIVERY BY THE
PURCHASER AT COMPLETION**

- 1 Directors Service Contracts for the appointment of Dr Mark Bushfield and Dr Jonathan Mark Treherne as Directors of Cambridge Genetics Limited and service agreements for Dr David Parry-Smith and Dr Barry Kenny each approved and executed by the Purchaser.
- 2 The Loan Note in favour of Oxford Molecular duly executed by the Purchaser.
- 3 *The share certificates for the Consideration Shares.*
- 4 The payment referred to in clause 2.2.1
- 5 A letter from the Purchaser confirming the availability and future allotment of options over 3,400 ordinary shares in the capital of the Purchaser.

SCHEDULE 5
VENDOR WARRANTIES

1 THE SHARES

- 1.1** Each of the Warrantors is the sole legal and beneficial owner of those Ordinary Shares set opposite his name in Schedule 1.
- 1.2** The information set out in Schedules 1 and 3 are true and accurate
- 1.3** The Shares comprise the whole of the Company's allotted and issued share capital, have been properly allotted and issued and are fully paid or credited as fully paid.
- 1.4** There is no Encumbrance, and there is no agreement, arrangement or obligation to create or give an Encumbrance, in relation to any of the Shares or unissued shares in the capital of the Company. No person has claimed to be entitled to an Encumbrance in relation to any of the Shares.
- 1.5** Other than this Agreement, there is no agreement, arrangement or obligation requiring the creation, allotment, issue, transfer, redemption or repayment of, or the grant to a person of the right (conditional or not) to require the allotment, issue, transfer, redemption or repayment of, a share in the capital of the Company (including, without limitation, an option or right of pre-emption or conversion).
- 1.6** The Company does not have and has never had a subsidiary undertaking.

2 AUTHORITY

- 2.1** Each Vendor Warrantor has the power and authority to execute and perform this Agreement.
- 2.2** The execution and performance of this Agreement by the Vendor Warrantors does not constitute a breach of any agreement to which the Company is party and could not enable any other party to terminate any such agreement.

3 BUSINESS COMMITMENT

- 3.1** No customer or supplier accounts for more than ten per cent. of the aggregate value in any financial year of either all purchases or of all sales of the Company.

3.2 So far as the Warrantors are aware, no customer or supplier (as described in Warranty 4.1) of the Company has stopped or materially reduced trading with the Company in the year to the date of this Agreement.

3.3 The Company is not party to any agreement which:

3.3.1 requires the allotment or issue of any shares, debentures or other securities of the Company;

3.3.2 so far as the Warrantors are aware has been materially breached by any party to it or in relation to which there are any grounds for determination or avoidance;

3.3.3 constitutes a joint venture, partnership or similar arrangement;

3.3.4 relates to matters outside (or has been carried out other than in) the ordinary course of business of the Company;

3.3.5 establishes any guarantee or indemnity in relation to the obligations of a third party (other than any guarantee or indemnity implied by law or in the Company's standard terms and conditions); or

3.3.6 establishes an agency, distributorship, licensing, management or manufacturing agreement.

3.3.7 can be terminated on a change of control or ownership.

3.4 Details of the Company's Year 2000 plan are set out in the Disclosure Letter.

4 ACCOUNTS

4.1 General

4.1.1 The Accounts have been prepared and audited on a proper and consistent basis in accordance with the law and applicable standards, principles and practices generally accepted in the United Kingdom.

4.1.2 No change in accounting policies has been made in preparing the accounts of the Company for each of the three financial years of the Company ended on the Last Accounting Date, except as stated in the audited balance sheets and profit and loss accounts for those years.

4.1.3 The Accounts show a true and fair view of the assets, liabilities and state of affairs of the Company as at the Last Accounting Date and of the profits and losses of the Company for the financial year ended on the Last Accounting Date.

4.2 Debts and liabilities

The Accounts disclosed and provided for all bad and doubtful debts, all known liabilities (actual, contingent or otherwise) and all known financial commitments existing at the Last Accounting Date in accordance with good accounting practice.

4.3 Extraordinary and exceptional items

The results shown by the audited profit and loss accounts of the Company for each of the two financial years of the Company ended on the Last Accounting Date have not (except as disclosed in those accounts) been affected by an extraordinary, exceptional or non-recurring item.

4.4 Provision for Tax

The Accounts reserve or provide in accordance with applicable standards, principles and practices generally accepted in the United Kingdom for all Tax liable to be assessed on the Company, or for which it is or may become accountable, for all periods since incorporation starting on or before the Last Accounting Date (whether or not the Company has or may have a right of reimbursement against another person). The Accounts reserve in accordance with applicable standards, principles and practices generally accepted in the United Kingdom for all contingent or deferred liabilities to Tax for all periods starting on or before the Last Accounting Date.

4.5 Depreciation

4.5.1 The bases and rates of depreciation and amortisation used in the Accounts were the same as those used in the audited accounts of the Company for the two preceding financial years.

4.5.2 The rates of depreciation and amortisation used in the audited accounts of the Company for the two financial years of the Company ended on the Last Accounting Date were sufficient to ensure that each fixed asset of the Company will be written down to nil by the end of its useful life.

4.6 Management Accounts

4.6.1 The Management Accounts have been properly and carefully prepared and fairly reflect the trading position of the Company as at their date and for the period to which they relate.

4.6.2 Since the accounts date, there has been no undue movement on debtors and creditors of the Company.

4.7 Accounting records

The Company's accounting records are up-to-date, in its possession or under its control and are properly completed in accordance with the law and applicable standards, principles and practices generally accepted in the United Kingdom.

5 CHANGES SINCE THE LAST ACCOUNTING DATE

5.1 General

Since the Last Accounting Date:

5.1.1 the Company's business has been operated so as to maintain it as a going concern and has paid its creditors in the ordinary course;

5.1.2 there has been no adverse change in the financial or trading position of the Company; and

5.2 Specific

Since the Last Accounting Date:

5.2.1 the Company has not, other than in the usual course of its business:

(a) acquired or disposed of, or agreed to acquire or dispose of, an asset; or

(b) assumed or incurred, or agreed to assume or incur, a liability, obligation or expense (actual or contingent);

in each case exceeding £20,000.

5.2.2 the Company has not factored, sold or agreed to sell a debt other than in the usual course of its business;

5.2.3 the Company has not:

- (a) made, or agreed to make, capital expenditure exceeding in total £50,000; or
- (b) incurred, or agreed to incur, a commitment or commitments involving capital expenditure exceeding in total £50,000;

5.2.4 so far as the Warrantors are aware, having made no enquiry of its customers the Company's business has not been materially and adversely affected by the termination of, or a change in the terms of, an agreement or by the loss of a customer or supplier or by an abnormal factor not affecting similar businesses and to the best of the Warrantor's knowledge and belief no fact or circumstance exists which the Warrantors believe will have a material and adverse effect on the Company's business;

5.2.5 the Company has not declared, paid or made a dividend or distribution (including, without limitation, a distribution within the meaning of the Taxes Act) except as provided in the Accounts;

5.2.6 the Company has not changed its accounting reference period;

5.2.7 no resolution of the shareholders of the Company has been passed; and

5.2.8 the Company has not created, allotted, issued, acquired, repaid or redeemed share or loan capital or made an agreement or arrangement or undertaken an obligation to do any of those things.

5.2.9 .

6 TAX

6.1 Tax Returns

So far as the Warrantors are aware having made due enquiry of the Company's auditors, all necessary information, notices, accounts, statements, reports, computations and returns which ought to have been made or given have been properly and duly submitted by the Company to the Inland Revenue, HM Customs & Excise and any other relevant taxation or excise authorities whether of the United Kingdom or elsewhere and all information,

notices, computations and returns submitted to the Inland Revenue, HM Custom & Excise and such other authorities are true and accurate and are not subject to any material dispute nor so far as the Warrantors are aware, having made enquiry of the Company's auditors, are likely to become the subject of any material dispute with such authorities.

6.2 Taxation Liabilities

So far as the Warrantors are aware having made due enquiry of the Company's auditors, all taxation of any nature whatsoever whether of the United Kingdom or elsewhere for which the Company is liable to account has been duly paid (insofar as such taxation ought to have been paid) and without prejudice to the generality of the foregoing the Company has made all such deductions and retentions as it was obliged or entitled to make and all such payments as should have been made and so far as the Warrantors are aware, having made enquiry of the Company's auditors, the Company has no contingent or future liabilities which could give rise to a claim under these tax warranties.

7 LICENCES

7.1 The Company has lawfully obtained all licences, authorisations, permissions and consents necessary to carry on its business as such business is carried on at the date of this Agreement ("Licences").

7.2 The Licences are in full force and effect and the Vendor Warrantor is not aware of any reason why they could be revoked or not renewed (whether as a result of the Purchaser's acquisition of the Shares or otherwise).

8 ASSETS AND LIABILITIES

8.1 Title and condition

8.1.1 Each asset included in the Accounts or acquired by the Company since the Last Accounting Date (other than stock disposed of in the usual course of business) and each asset used by the Company is:

- (a) legally and beneficially owned solely by the Company free from any Encumbrance; and
- (b) where capable of possession, in the possession or under the control of the Company.

8.1.2 The Company owns or has the right to use each asset necessary for the current operation of its business.

8.1.3 All plant, machinery and equipment owned, possessed or used by the Company are in good condition and working order and have been regularly and properly *maintained in accordance with any manufacturer's written instructions*. None is in need of renewal or replacement or surplus to the Company's requirements.

8.1.4 The Company's asset registers comprise a materially complete and accurate record of all the plant, machinery, equipment, vehicles and other assets owned, possessed or used by it.

8.1.5 Maintenance contracts are in force for each asset of the Company which it is normal to have maintained by independent or specialist contractors and for each asset which the Company is obliged to maintain or repair under a leasing or similar agreement. Those assets have been regularly maintained to a good technical standard and in accordance with:

- (a) safety regulations required to be observed in relation to them; and
- (b) the provisions of any applicable leasing or similar agreement.

8.2 Hire purchase and leased assets

The Company is not a party to, nor is liable under, a lease or hire, hire purchase, credit sale or conditional sale agreement.

8.3 Stock

8.3.1 The Company's stock of compounds has been stored in accordance with best pharmaceutical practice and so far as the Warrantors are aware the compounds are of satisfactory quality and are saleable or useable in the normal course of the Company's business.

8.4 Debtors

8.4.1 No debt shown in the Accounts, the Management Accounts or the Company's accounting records is overdue by more than 12 weeks or is the subject of an

arrangement other than of the kind, particulars of which are set out in the Disclosure Letter.

8.4.2 The Company has not released a debt shown in the Accounts, the Management Accounts or its accounting records so that the debtor has paid or will pay less than the debt's book value. None of the debts shown in the Accounts, the Management Accounts or the Company's accounting records has been deferred, subordinated or written off or become irrecoverable to any extent. To the best of the Vendor's knowledge, information and belief, each of those debts will realise its book value in the usual course of collection.

8.5 Year 2000

8.5.1 The Company has developed and executed a Year 2000 testing plan and so far as the Warrantors are aware the Company's business will continue without material interruption caused by matters relating to Year 2000 issues after 31 December 1999.

9 **INSURANCE**

9.1 A summary of the insurance policies is set out in the Disclosure Letter.

9.2 The insurance policies cover all material insurable Assets as well as protecting the Company against accident, third party loss or injury and damage and all other insurable risks normally insured against by companies carrying out similar business.

9.3 The insurance policies are in full force and effect, so far as the Warrantors are aware are not so far as the Warrantor's are aware voidable, there are no claims outstanding under any insurance policy and, as far as each Warrantor is aware, there are no existing circumstances likely to give rise to such a claim.

10 **REAL PROPERTY**

10.1 The Property comprises all land and buildings owned, occupied, used by, or in the possession of the Company or in respect of which it has any interest, right or liability.

10.2 The Company is solely legally and beneficially entitled to the Property and has a good and title to it.

- 10.3** So far as the Warrantors are aware (and save as referred to in the disclosed documents) there are no Security Interests, agreements, arrangements, obligations, conditions, easements, rights, reservations, overriding interests (as defined in Section 70(1) of the Land Registration Act 1925) or other interests affecting the Property or its title deeds.
- 10.4** The Company holds each right, permission and easement necessary for the continued possession and use of the Property without restrictions.
- 10.5** The only outgoings to which the Property is subject are business rates, water and sewerage rates, rent, service charge and insurance premiums and other usual occupational outgoings.
- 10.6** So far as Warrantors are aware the buildings and other structures on or forming part of the Property are in good and substantial repair and are fit for the purposes for which they are presently used and that there is no material deficiency in the construction or Condition of the Property.
- 10.7** The Property has all mains services, including electricity, water, sewerage, telecommunications and gas.
- 10.8** In relation to each Property which is referred to in Schedule 6 as held under a lease:
- 10.8.1** there are no rent reviews outstanding or exercisable before the Completion Date;
- 10.8.2** the lease is a headlease, does not contain any unusually onerous covenants and no licences or collateral assurances, undertakings or concessions have been granted save as disclosed;
- 10.8.3** no person can terminate the lease before its expiry other than by forfeiting it.

11 ENVIRONMENT

11.1 Environmental Permits and law

- 11.1.1** The Company has obtained each Environmental Permit.
- 11.1.2** The Company has complied with the terms and conditions of each Environmental Permit and all Environmental Laws.

12 INTELLECTUAL PROPERTY

12.1 So far as the Warrantors are aware each of the Intellectual Property Rights is:

- 12.1.1** valid and enforceable and nothing has been done or omitted to be done by which it may cease to be valid and enforceable;
- 12.1.2** legally and beneficially owned by the Company and has been validly granted to, the Company alone, free from any licence, Encumbrance, restriction on use or disclosure obligation;
- 12.1.3** the Licensed Intellectual Property held by the Company so far as the Warrantors are aware having made no enquiry of a third party other than the party from which the Licensed Intellectual Property was licensed and the Senior Employees is valid and enforceable; and
- 12.1.4** not so far as each Warrantor is aware having made due enquiry of the Company's patent agent only, the subject of a claim or opposition from a person (including, without limitation, an employee of the Company) as to title, validity, enforceability, entitlement or otherwise.

12.2 Schedule 8 contains details of all the patents, patent applications and trade marks in respect of which the Company is the registered or beneficial owner or applicant for registration.

12.3 All renewal and maintenance fees and taxes due and payable prior to Completion in respect of each of the pending and registered Intellectual Property Rights have been paid in full. Each other action required to maintain and protect the pending and registered Intellectual Property Rights has been taken.

12.4 There is and has been, no civil, criminal, arbitration, administrative or other proceeding or dispute in any jurisdiction concerning any of the Intellectual Property Rights. No civil, criminal, arbitration, administrative or other proceeding or dispute concerning any of the Intellectual Property Rights is pending or threatened and to the best of the Vendor Warrantor's knowledge, information and belief, having made due enquiry of the Company's patent agent only no fact or circumstance exists which might give rise to a proceeding of that type.

12.5 The Company has not granted and is not obliged to grant a licence, assignment consent, undertaking, security interest or other right in respect of any of the Intellectual Property Rights.

12.6 So far as each Warrantor is aware having made no enquiry of a third party, other than the Senior Employees the activities, processes, methods, products, services or Intellectual Property used, manufactured, dealt in or supplied on or before the date of this Agreement by the Company does not infringe, misuse or embody the subject matter of any rights in the Intellectual Property (including, without limitation, moral rights) of another person and have not given rise to a claim against the Company.

12.7 No party to an agreement relating to the use:

12.7.1 by the Company of Intellectual Property owned by another person; or

12.7.2 of any Intellectual Property Rights owned by the Company by another person ,

so far as the Vendor Warrantors are aware, is, or has at any time been, in breach of the agreement and no circumstances exist which would give rise to any breach of any such agreement or to any such agreement being terminated, suspended, varied or revoked without the Company's consent (other than termination without cause upon notice in accordance with the terms of the agreement).

12.8 All the Confidential Information relating to the Company's drug discovery experiments is adequately and properly documented in signed lab books of the Company which have been certified by the Company Secretary to enable the Purchaser to acquire and retain its full benefit.

12.9 The Intellectual Property Rights comprise all the Intellectual Property necessary for the Company to operate its business as it has been operated before the date of this Agreement.

13 EMPLOYEES

13.1 The Disclosure Letter includes:

13.1.1 the full names, date of start of employment, age, job title, salary, bonus, commission or profit sharing arrangement for all directors and employees of the Company;

- 13.1.2 copies of the employment contracts and details of any unwritten agreements of each director or employee of the Company earning more than £40,000 per annum;
 - 13.1.3 details of all share incentive, share option, profit sharing, bonus or other incentive scheme to which any director or employee of the Company is entitled; and
 - 13.1.4 details of the Company's record of compliance with the Working Time Regulations 1998.
- 13.2 No change has been made to the terms of employment of any person earning more than £40,000 per annum since the Accounts Date.
- 13.3 The Company does not owe any amount to a prior or present director or employee of the Company except for accrued remuneration or reimbursement of business expenses.
- 13.4 All employment contracts between the Company and its directors or employees are terminable without compensation (except statutory redundancy) by either party giving no more than three months' notice and the Company has not received or given notice of resignation from or to, key staff/ employees earning more than £40,000 per annum.
- 13.5 The Company has not recognised, or carried out any act which might be construed as recognising, a trade union, works council and/or staff association and has not been involved in any strike, lock-out or other form of industrial action.

So far as the Vendor Warrantors are aware, the Company has at all relevant times complied to a material extent with all of its obligations under statute and negotiations concerning health and safety at work of its employees and there are no claims pending or so far as the Vendor Warrantors are aware threatened or capable of arising by any employee or third party in respect of any accident or injury which are not fully covered by insurance.

14 PENSIONS

- 14.1 Apart from the Company's group personal pension plan (the "**Pension Plan**") the Lloyds group travel insurance policy, the Canada Life death in service policy and the life assurance policies for the Vendor Warrantors, the Company is under no legal or moral liability or obligation, or a party to any ex gratia arrangement or promise, to pay pensions,

gratuities, superannuation allowances or the like in respect of sickness, accident or disability or any similar arrangements or promises or otherwise to provide “**relevant benefits**” within the meaning of Section 612 of the Taxes Act to or for any of its past or present officers or employees or their dependants; and there are no retirement benefit or pension or death benefit or similar schemes or arrangements in relation to or binding on the Company or to which the Company contributes nor has any proposal been announced or promise made to establish any such agreement, arrangement or practice.

15 TERMS OF TRADE AND BUSINESS

15.1 Creditors

15.1.1 The Company has paid its creditors within the times agreed with them. No debt owing by it has been due for more than four weeks.

15.1.2 The Company has outstanding no bid, tender, sale or service proposal.

16 LIABILITIES

16.1 Indebtedness

Except as disclosed in the Accounts, the Management Accounts or in the Disclosure Letter, the Company does not have outstanding and has not agreed to create or incur loan capital, borrowing or indebtedness in the nature of borrowing other than in the ordinary course of business.

16.2 Guarantees and indemnities

16.2.1 The Company is not a party to and is not liable under a guarantee, indemnity or other agreement to secure or incur a financial or other obligation with respect to another person's obligation.

16.2.2 No part of the loan capital, borrowing or indebtedness in the nature of borrowing of the Company is dependent on the guarantee or indemnity of, or security provided by, another person which is not a Group Company.

16.3 No floating charge created by the Company has crystallised and, so far as the Vendor is aware, there are no circumstances likely to cause such a floating charge to crystallise.

16.4 The Company has not received notice from any person intimating that it will enforce any security which it may hold over the assets of the Company and, so far as the Vendor Warrantors are aware, there are no circumstances likely to give rise to such a notice.

16.5 Events of default

No event has occurred or been alleged to have occurred which:

16.5.1 constitutes an event of default, or otherwise gives rise to an obligation to repay, under an agreement relating to borrowing or indebtedness in the nature of borrowing (or will do so with the giving of notice or lapse of time or both); or

16.5.2 will lead to an Encumbrance constituted or created in connection with borrowing or indebtedness in the nature of borrowing, a guarantee, an indemnity or other obligation of the Company becoming enforceable (or will do so with the giving of notice or lapse of time or both).

16.6 Grants

16.6.1 The Company is not liable to repay an investment or other grant or subsidy made to it by a body earlier than its scheduled date for repayment (including, without limitation, the Department of Trade and Industry or its predecessor).

16.6.2 No fact or circumstance (including, without limitation, the execution and performance of this Agreement) exists which might entitle a body to require repayment of, or refuse an application by the Company for, the whole or part of a grant or subsidy.

16.7 No floating charge created by the Company has crystallised and, so far as the Warrantors are aware, there are no circumstances likely to cause such a floating charge to crystallise.

16.8 The Company has not received notice from any person intimating that it will enforce any security which it may hold over the assets of the Company and, so far as the Warrantors are aware, there are no circumstances likely to give rise to such a notice.

17 **INSOLVENCY**

- 17.1 No order has been made, petition presented or resolution passed for the winding up or administration of the Company or for the appointment of a provisional liquidator, administrative receiver, receiver or manager to the Company.
- 17.2 No voluntary arrangement has been proposed under section 1 of the Insolvency Act 1986 and no compromise or arrangement has been sanctioned under section 425 of the Companies Act in respect of the Company.
- 17.3 The Company is not insolvent, unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986 or has stopped paying its debts as they fall due.

18 LITIGATION AND COMPLIANCE WITH LAWS

- 18.1 The Company is not and has not during the two years ending on the date of this Agreement been involved in any litigation or arbitration, administrative or criminal proceedings, whether as plaintiff, defendant or otherwise and no such proceedings are threatened or pending and, so far as the Vendor Warrantors are aware, there are no such facts or circumstances existing likely to give rise to such proceedings.
- 18.2 So far as the Warrantors are aware there have been no governmental or other investigations into the Company and none is threatened or pending.
- 18.3 The Company has audited its business and dealt with its assets in accordance with all applicable legal and administrative requirements.

19 STATUTORY RECORDS

- 19.1 The Company has maintained all records and registered books and filed all documents which it is required by law or appropriate government body to maintain and/or file and each such record is complete and accurate.
- 19.2 The Company is operating and has always operated its business in accordance with its memorandum and articles of association.

20 COMPETITION

- 20.1 The Company is not and has not been party to any agreement which:

20.1.1 has been or is required to be registered under the RTPA;

20.1.2 infringes Article 85 of the Treaty of Rome or constitutes an abuse of Article 86 of the Treaty of Rome.

and the Vendor is not aware of any enquiry or investigation relating to the Company's involvement in any such registration, infringement or abuse.

SCHEDULE 6
LEASEHOLD PROPERTY

Description	Details of lease (date and parties)	Duration	Current annual rent and rent review date(s)
Lease of Unit 2, Cambridge Science Park, Milton Road, Cambridge	The Master Fellows and Scholars of Trinity College, Cambridge (1) and Cambridge Drug Discovery Limited (2) Date: 12 October 1998	12 years (plus broken quarter)	£77,000 per annum 25 December 2001, 2004 and 2007
Lease of Unit 10, Cambridge Science Park, Milton Road, Cambridge	The Master Fellows and Scholars of Trinity College, Cambridge (1) and Cambridge Drug Discovery Limited (2) Date: 12 October 1998	12 years (plus broken quarter)	£61,000 per annum 25 December 2001, 2004 and 2007

SCHEDULE 7
ACTION PENDING COMPLETION

SCHEDULE 8

INTELLECTUAL PROPERTY

	Patent Application Number	Application Date
1	9925799.0	2 November 1999
2	9923208.4	1 October 1999
3	9922986.6	29 September 1999

Trademarks

	Trade Mark Number	
1	2146713	in classes 1, 5, 9 and 42 dated 7 May 1999
2	2167159	in classes 1, 5, 9 and 42 dated 20 May 1998
3	929166	dated 14 September 1998
4	2167161	in classes 1, 5, 9 and 42 dated 20 May 1998
5	2177226	in classes 1, 9 and 42 dated 15 September 1998
6	2177232	in classes 1 and 42 dated 15 September 1998
7	2177231	in classes 1, 9 and 42 dated 15 September 1998
8	2177233	in classes 1 and 42 dated 15 September 1998

SCHEDULE 9

PURCHASER WARRANTIES

- 1** So far as the Purchaser is aware, all statements of fact contained in the Business Plan were true and accurate in all material respects at the date when such document was issued (and the Business Plan does not omit to state any fact thereby rendering materially misleading any statement therein contained) and no events (save for the matters contemplated by this Agreement) have occurred subsequent thereto which make any such statements of fact untrue or inaccurate or misleading in any material respect at the date of this Agreement.
- 2**

 - (a)** The projections and forecasts contained in the Business Plan have been properly compiled, are based on the assumptions set out in the Business Plan which the Purchaser believes to be fair and valid after careful consideration and are believed by the Purchaser to be reasonable.
 - (b)** The statements of intention, expectation and opinions contained in the Business Plan are honestly made and held by the Purchaser, are based upon the assumptions set out in the Business Plan which the Purchaser believes to be fair and valid after careful consideration and are believed by the Purchaser to be reasonable.
- 3** The Purchaser is not engaged in or about to initiate any material litigation, whether civil or criminal, arbitration or administration proceeding and, so far as the Purchaser is aware, none is pending or threatened against the Purchaser.
- 4**

 - (a)** Save for the Share Option Agreements there are no options or agreements or arrangements outstanding which call for the allotment or issue or transfer of or accord to any person the right to call for the allotment or issue or transfer of any shares in the capital of the Purchaser or any loan capital in the Purchaser.
 - (b)** None of the Shares have the benefit of any rights not conferred by law or expressly provided for in the Articles or this Agreement.
 - (c)** The register of members and other statutory books of the Purchaser have been properly kept and contain an accurate and complete record of the matters with which they should deal and no notice or allegation that any of them is incorrect or should be rectified has been received by the Purchaser.

- (d) All returns, particulars, resolutions and documents required by any legislation to be filed with the Registrar of Companies in respect of the Purchaser have been duly filed and are in all material respects correct.
- 5
- (a) The Purchaser's Management Accounts have been prepared on a proper and consistent basis in accordance with applicable standards, principles and practices generally accepted in the United Kingdom and are true and accurate in all material respects.
 - (b) Full disclosure has been made in the Purchaser's Management Accounts of all known material liabilities in excess of £50,000 whether present or contingent and of all encumbrances and unduly onerous commitments in existence.
 - (c) Since the date of the Purchaser's Management Accounts the financial position of the Purchaser has not been materially adversely affected by losses or other changes.
 - (e) The Company has not passed any elective resolution (within the meaning of Section 379A of the Companies Act 1985).
- 6 The Purchaser does not have any borrowings.
- 7
- (a) The Purchaser has no subsidiaries.
 - (b) The Purchaser does not own any shares, loan capital or other securities in any company.
- 8
- (a) All intellectual property rights necessary to carry on the business of the Purchaser as proposed in the Business Plan and gene therapy and virus-based therapeutics addendum dated 30 January 1998 referred to in a patent report dated 11 March 1998 are either owned or licensed pursuant to the terms of the IP Agreements and so far as the Purchaser is aware no other person known to the Purchaser has any personal right, title, interest or claim whatsoever in such intellectual property rights.
 - (b) Other than as set out in the IP Agreements the licence and collaboration agreement between the Purchaser and Mayo Foundation for Medical Education and Research dated 12 August 1998 is the only licence of the Purchaser's intellectual property rights entered into by the Company.

- 9 No mortgages, charges, liens, encumbrances or other security interests subsist over the undertaking or assets of the Purchaser or the assets used in it.
- 10 The Purchaser has not taken any corporate action nor have any steps been taken or legal proceedings been started or threatened against it for winding up, dissolution or reorganisation or for the appointment of a receiver or administrative receiver or any administrator, trustee or similar officer of it or of any of its assets or revenues.
- 11 The Purchaser has duly complied with all requirements in respect of taxation and social security imposed by statute.
- 12 The Purchaser is duly registered for VAT purposes.
- 13 The Purchaser is a private limited company duly organised, validly existing and in good standing under the laws of England.
- 14 So far as the Purchaser is aware, there is no action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, investigative or informal) that has been commenced against the Purchaser that challenges or has the effect of preventing, delaying, making illegal or otherwise interfering with, any of the transactions contemplated by this Agreement.

In this Schedule the following definitions shall have the following meaning:-

- "Benefits"** all salary and emoluments including fees and percentages, sums paid by way of expenses allowance (if taxable), pension contributions and benefits in kind;
- "Intellectual Property Rights"** all rights in, and rights to apply for any of those rights, trade, business and company names, internet domain names and e-mail addresses, unregistered trade marks and service marks, copyrights, database rights, knowhow, rights in designs and invention, industrial property or commercial right and all extensions and renewals thereof in any part of the world and the right to sue for past infringements of any of the foregoing rights and rights which now or in the future may subsist;
- "IP Agreements"** the patent agreement dated 13 January 1998 between Medical Research Council and the Purchaser and the

assignment of patent applications dated 13 January 1998 made between Medical Research Council and the Company;

"Purchaser Management Accounts"

means the Company's profit and loss account for the period to 30 November 1999 and the Company's unaudited balance sheet as at 30 November 1999;

"Business Plan"

the business plan prepared by or on behalf of the Promoters entitled "Cambridge Genetics Limited Business Plan 2000-2004" and dated 25 December, 1999 and the documents annexed to such plan together with the revised cash projections dated 25 December 1999;

"Patent Report"

the patent report dated 11 March 1998 issued by Reddie & Grose entitled "Due Diligence Report for Cambridge Genetics Limited", in the Agreed Terms;

"Share Option Agreements"

means the option agreements entered into by the Purchaser in favour of certain employees and consultants giving the holders in aggregate the right to acquire up to 35,692 ordinary shares in the capital of the Purchaser;

EXECUTED by the parties:

Signed by

DR MARK BUSHFIELD

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)

)

M. Bushfield

Signed by

DR BARRY AIDAN KENNY

)

)

BAK

Signed by

DR DAVID JOHN PARRY-SMITH

)

)

Signed by

DR JONATHAN MARK TREHERNE

)

)

J. Treherne

Signed by

for and on behalf of
OXFORD MOLECULAR GROUP PLC

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Signed by

CAMBRIDGE GENETICS LIMITED

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EXECUTED by the parties:

Signed by

DR MARK BUSHFIELD

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M. Bushfield

Signed by

DR BARRY AIDAN KENNY

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Signed by

DR DAVID JOHN PARRY-SMITH

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David Parry-Smith

Signed by

DR JONATHAN MARK TREHERNE

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Jonathan Mark Treherne

Signed by

for and on behalf of
OXFORD MOLECULAR GROUP PLC

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Signed by

CAMBRIDGE GENETICS LIMITED

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DR MARK BUSHFIELD)

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DR BARRY AIDAN KENNY)

Signed by)

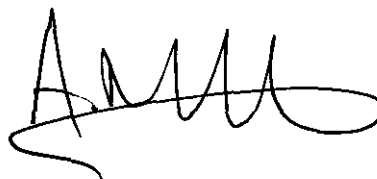
DR DAVID JOHN PARRY-SMITH)

Signed by)

DR JONATHAN MARK TREHERNE)

Signed by *A. E. MARENGON*)

for and on behalf of)
OXFORD MOLECULAR GROUP PLC)



Signed by)

CAMBRIDGE GENETICS LIMITED)

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DR MARK BUSHFIELD)

Signed by)

DR BARRY AIDAN KENNY)

Signed by)

DR DAVID JOHN PARRY-SMITH)

Signed by)

DR JONATHAN MARK TREHERNE)

Signed by)

for and on behalf of)
OXFORD MOLECULAR GROUP PLC)

Signed by *1 F KENT*)
CAMBRIDGE GENETICS LIMITED)

A handwritten signature in dark ink, appearing to be 'J. Kent', is written over the signature line for Cambridge Genetics Limited.