

Cambridge Biostability Limited
Annual report
For the year ended 31 December 2004

Registered Number 3630055



Cambridge Biostability Limited

Annual report for the year ended 31 December 2004

Contents

Directors and advisors	1
Directors' report	2
Independent auditors' report to the members of Cambridge Biostability Limited	4
Profit and loss account.....	5
Balance sheet	6
Notes to the financial statements	7

Cambridge Biostability Limited

Directors and advisors

Directors

I R Cubitt
P J Ford
P Rewrie
B J Roser
V J Saggar
S D Sen
D Stone

Company Secretary

J L Silvester

Registered Office

NIAB
Huntingdon Road
Cambridge
CB3 0LE

Auditors

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge
CB3 0AN

Bankers

Barclays Bank plc
28 Chesterton Road
Cambridge
CB4 3AZ

Solicitors

Orchard Law
6 Snow Hill
London
EC1A 2AY

Cambridge Biostability Limited

Directors' report for the year ended 31 December 2004

The directors present their report and the audited financial statements for the year ended 31 December 2004.

Principal activities

The principal activity of the company is that of a vaccine technology company.

Review of the business and future developments

The company has commenced two major development programs in 2004 for the development of stable multivalent vaccines with our collaborators in India and the USA. These programs will place the company in a strong position to exploit the bio defence and the developing world markets for multivalent stable vaccines in the future.

Dividends

The directors do not recommend the payment of a dividend (2003: £nil).

Directors

The directors of the Company who served during the year are listed below:

I R Cubitt	
P J Ford	(Appointed 2 November 2004)
P Rewrie	
B J Roser	
V J Saggar	(Appointed 25 June 2004)
S D Sen	
D Stone	

Directors' interests

The directors' interests in the shares of the company were as stated below:

	2004 Number of ordinary shares of 1 pence each	2003 Number of ordinary shares of 1 pence each
I R Cubitt	19,836	19,836
P J Ford (1,200 at date of appointment)	1,600	-
P Rewrie	12,205	16,205
B J Roser	45,017	45,017
VJ Saggar (14,800 at date of appointment)	18,768	-
S D Sen	87,200	87,200
D Stone	-	-

Cambridge Biostability Limited

Interest in share options

Details of options over shares in the company held by directors are set out below:

	Date of grant	Exercise price £	Number at 1 January 2004	Number granted in the year	Number at 31 December 2004
I R Cubitt	23/07/04	25	-	5,400	5,400
P Rewrie	23/07/04	25	-	5,400	5,400
B J Roser	23/07/04	25	-	5,400	5,400
S D Sen	23/07/04	25	-	5,400	5,400
D Stone	23/07/04	25	-	5,400	5,400

No options were exercised or lapsed in the year. Options expire ten years from the date of grant and are only exercisable 3 years from the date of grant. No other directors at 31 December 2004 have been granted options over shares in the company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

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

Auditors

PricewaterhouseCoopers LLP were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be appointed will be put to the Annual General Meeting.

By order of the Board



P Rewrie
Director

Cambridge Biostability Limited

Independent auditors' report to the members of Cambridge Biostability Limited

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Cambridge

3 April 2006

Cambridge Biostability Limited

Profit and loss account for the year ended 31 December 2004

	Notes	2004 £	2003 (restated) £
Turnover	2	372,885	35,352
Cost of sales		(258,184)	(14,913)
Gross profit		114,701	20,439
Other operating income		76,658	-
Operating expenses		(1,006,158)	(584,560)
Operating loss	3	(814,799)	(564,121)
Other interest receivable and similar income	6	5,471	648
Interest payable and similar charges	7	(6)	-
Loss on ordinary activities before taxation		(809,334)	(563,473)
Tax on loss on ordinary activities	8	-	-
Loss for the year	15,16	(809,334)	(563,473)

All activities relate to continuing operations.

Statement of total recognised gains and losses for the year ended 31 December 2004

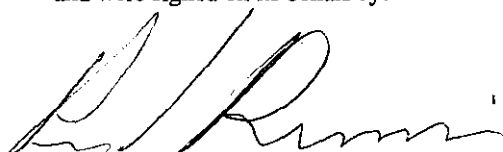
	Notes	2004 £	2003 (restated) £
Total recognised losses for the year		(809,334)	(563,473)
Prior year adjustments	1	(210,868)	
Total loss recognised since last annual report		(1,020,202)	

Cambridge Biostability Limited

Balance sheet as at 31 December 2004

	Notes	2004 £	2003 (restated) £
Fixed assets			
Intangible assets	9	182,770	193,960
Tangible assets	10	219,851	42,298
		402,621	236,258
Current assets			
Debtors	11	637,853	259,782
Cash at bank and in hand		625,065	241,303
		1,262,918	501,085
Creditors: amounts falling due within one year	12	(303,749)	(342,466)
Net current assets		959,169	158,619
Net assets		1,361,790	394,877
Capital and reserves			
Called up share capital	13	3,209	2,437
Share premium account	15	2,894,230	1,118,755
Profit and loss account	15	(1,535,649)	(726,315)
Equity shareholders' funds	16	1,361,790	394,877

The financial statements on pages 5 to 15 were approved by the board of directors on 31 March 2006 and were signed on its behalf by:



P Rewrie
Director

Cambridge Biostability Limited

1. Principal accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Prior year restatements

In the year ended 31 December 2003, the company capitalised £123,000 of costs as intangible assets which did not meet the criteria of such assets under either FRS 10 ("Goodwill and Intangible Assets") or Statement of Standard Accounting Practice ("SSAP") 13 ("Accounting for Research and Development"). These costs and the related amortisation of £10,000 have now been written off by way of a prior year adjustment and the comparatives restated accordingly. The impact of this restatement was to increase the loss for the year ended 31 December 2003 and decrease net assets by £113,000.

In the year ended 31 December 2003, Cambridge Biostability Limited did not provide for certain consultancy fees incurred. Consequently the prior year comparatives have been adjusted to include these costs within the profit and loss account for the year ended 31 December 2003. The impact of this restatement was to increase the loss for the year ended 31 December 2003 and decrease net assets by £98,000.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Research and development

Research and development expenditure is written off as incurred.

Turnover

Turnover comprises fees earned from contract research and development work exclusive of value added tax.

Revenue is recognized on the research and development activities performed on behalf of third parties when deliverables and milestones have been met.

Intangible assets

Patents are stated at purchase cost less accumulated amortisation. Amortisation is calculated to write off the cost of patents in equal annual installments over their estimated useful lives (20 years) on a straight-line basis. Estimated useful lives are reviewed annually and do not exceed 20 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided so as to write off the cost of tangible fixed assets over their estimated useful lives at the following rate:

Fixtures, fittings and equipment	25% of reducing balance
----------------------------------	-------------------------

Deferred tax

Provision is made for deferred taxation in accordance with FRS 19, 'Deferred taxation' on all material timing differences. Deferred tax assets are recognised to the extent they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Pension costs

The company operates a group personal pension plan. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. The difference between contributions payable and contributions actually paid are shown as a prepayment or an accrual in the balance sheet. The company does not provide any other post-retirement benefits to its employees.

Cambridge Biostability Limited

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss

	2004 £	2003 (restated) £
Operating loss is stated after charging / (crediting):		
Amortisation of intangible assets	11,190	11,190
Depreciation of tangible fixed assets:		
- owned assets	73,284	13,169
Operating lease rentals:		
- hire of plant and machinery	27,569	13,000
Gain/ (loss) on foreign exchange transactions	(1,316)	3,069
Auditors' remuneration:		
- audit services	7,500	4,200
- non-audit services	2,000	-

4 Directors' emoluments

	2004 £	2003 (restated) £
Aggregate emoluments as previously reported	-	76,838
Prior year adjustment (see note 1)	-	98,250
Aggregate emoluments	330,636	175,088

No retirement benefits are accruing to directors.

The above amounts include remuneration for the highest paid director as follows:

	2004 £
Aggregate emoluments	92,178

Cambridge Biostability Limited

5 Employee information

In the year to 31 December 2004 the average monthly number of employees (including executive directors) was as shown below:

	2004 Number	2003 Number
By activity		
Research	17	4
Administration	3	1
	20	5
	2004 £	2003 £
Staff costs (for the above persons)		
Wages and salaries	416,390	81,838
Social security costs	47,020	8,755
Other pension costs	3,405	-
	466,815	90,593

The company makes defined contributions under a Group Personal Pension plan on behalf of its employees. The pension costs charged represent contributions payable by the company. At 31 December 2004, £nil is included in creditors in respect of employees' and employer's contributions to the pension scheme (2003: £nil).

6 Interest receivable and similar income

	2004 £	2003 £
On bank balances	5,471	648

7 Interest payable and similar charges

	2004 £	2003 £
On bank overdrafts	6	-

Cambridge Biostability Limited

8 Tax credit on loss on ordinary activities

	2004 £	2003 £
United Kingdom research and development tax credit at 16% (2003: 16%):		
Current year	-	-
	-	-

No corporation tax liability arises on the results for the year due to the loss incurred.

The company expects to make a claim for a research and development tax credit which has not been recognised in these financial statements.

The value of the research and development tax credit for the year does not equal the value that would be produced by applying the UK standard rate of 16% (2003: 16%) for research and development tax credits to the loss before tax for the year. The differences are explained below:

	2004 £	2003 (restated) £
Loss on ordinary activities before tax as previously reported	-	352,605
Prior year adjustments (see note 1)	-	210,868
Loss on ordinary activities before tax as restated	809,334	563,473
Loss on ordinary activities multiplied by applicable rate of UK corporation tax of 16% (2003: 16%)	129,493	90,156
Effects of:		
Expenses not deductible for tax purposes	(8,371)	(10,043)
Accelerated capital allowances and other timing differences	31,609	189
Carry forward of tax losses	(152,731)	(80,302)
	-	-

Cambridge Biostability Limited

9 Intangible fixed assets

	Patents £
Cost	
At 1 January 2004 as previously reported	346,390
Prior year adjustment (see note 1)	(122,590)
At 1 January 2004 as restated	223,800
Additions	-
At 31 December 2004	223,800
Amortisation	
At 1 January 2004 as previously reported	39,812
Prior year adjustment (see note 1)	(9,972)
At 1 January 2004 as restated	29,840
Charge for the year	11,190
At 31 December 2004	41,030
Net book value	
At 31 December 2004	182,770
At 31 December 2003 (as restated)	193,960

Cambridge Biostability Limited

10 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 January 2004	60,939
Additions	250,837
At 31 December 2004	311,776
Depreciation	
At 1 January 2004	18,641
Charge for the year	73,284
At 31 December 2004	91,925
Net book value	
At 31 December 2004	219,851
At 31 December 2003	42,298

11 Debtors

	2004 £	2003 £
Amounts falling due within one year		
Trade debtors	215,972	11,458
Other debtors	164,989	248,324
Called up share capital not paid	144,270	-
Prepayments and accrued income	112,622	-
	637,853	259,782

Cambridge Biostability Limited

12 Creditors: falling due within one year

	2004 £	2003 (restated) £
Trade creditors	201,077	195,247
Other taxation and social security	10,870	8,631
Other creditors	52	8,388
Payments for shares not yet issues	2,500	-
Accruals and deferred income	89,250	130,200
	303,749	342,466

13 Share capital

	2004 £	2003 £
Authorised share capital		-
100,000,000 Ordinary shares of 1p each	1,000,000	1,000,000
Allotted, called up and fully paid		
315,493 (2003: 243,661) Ordinary shares of £0.01 each	3,155	2,437
Called up share capital not paid		
5,420 (2003: nil) Ordinary shares of £0.01 each	54	-
	3,209	2,437

On 28 May 2004, the Company issued 25,974 Ordinary Shares of £0.01 each (nominal value: £260) for total consideration before issue expenses of £642,850.

On 2 November 2004, the Company issued 16,000 Ordinary Shares of £0.01 each (nominal value: £160) for total consideration before issue expenses of £365,000.

On 12 November 2004, the Company issued 7,900 Ordinary Shares of £0.01 each (nominal value: £79) for total consideration before issue expenses of £195,500.

On 19 November 2004, the Company issued 27,378 Ordinary Shares of £0.01 each (nominal value: £274) for total consideration before issue expenses of £572,897.

14 Options over shares in Cambridge Biostability Limited

Options have been granted over the following number of ordinary shares of £0.10 each. Options expire ten years from the date of grant and are only exercisable 3 years from the date of grant:

Date granted	Exercise price £	Number of options 31 December 2004
23 July 2004	25.00	32,550

Cambridge Biostability Limited

15 Reserves

	Share premium account £	Profit and loss account £
Balance at 1 January 2004 as previously reported	1,118,755	(515,447)
Prior year adjustments (see note 1)	-	(210,868)
Balance at 1 January 2004 as restated	1,118,755	(726,315)
Retained loss for the year	-	(809,334)
Premium on shares issued during the year (net of issue costs of £83,853)	1,775,475	-
Balance at 31 December 2004	2,894,230	(1,535,649)

16 Reconciliation of movements in shareholders' funds

	2004 £	2003 (restated) £
Opening shareholders' funds as previously reported	605,745	-
Prior year adjustments (see note 1)	(210,868)	-
Opening shareholders' funds as restated	394,877	606,325
Proceeds of issues of share capital	1,776,247	352,025
Loss for the financial year	(809,334)	(563,473)
Closing shareholders' funds	1,361,790	394,877

17 Financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Other 2004 £	Other 2003 £
Expiring between two and five years	51,492	-

18 Capital commitments

	2004 £	2003 £
At 31 December the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	-	85,000

Cambridge Biostability Limited

19 Ultimate controlling party

The directors consider that there is no ultimate controlling party as no single party is in a position to control the company's financial and operating policies.

20 Related party transactions

P Rewrie is a director of the company and a minority partner in J&D Associates.

During the year ended 31 December 2004, £22,680 was paid to J&D Associates for professional services (2003: £6,000). No amounts are included within debtors (2003: £17,952).

21 Post balance sheet events

On 17 January 2005, the company passed a resolution to raise additional capital of £1,307,000 by way of a new issue of 4,216,217 shares. On the same date, the company passed a resolution to perform a share split, ninety nine for one.