

3246469

Oxagen Limited

Annual report and financial
statements

Year ended 31 December 1999



ED4
COMPANIES HOUSE

E30JGFC

0054
12/05/00

Oxagen Limited

Registered No 3246469

DIRECTORS

T. Nicholls
J. Noble
M. Edwards
I. Laing
N. Cross
J. Bell
J. Gordon
S. Iversen
P. Doyle (appointed 1 July 1999)
D. White (appointed 15 December 1999)
C. Soden (appointed 12 April 2000)
J. Benjamin (appointed 22 March 2000)

SECRETARY

P. Baddeley

AUDITORS

Ernst & Young
Apex Plaza
Reading
RG1 1YE

REGISTERED OFFICE

Oxagen Limited
3 Worcester Street
Oxford
OX1 2PZ

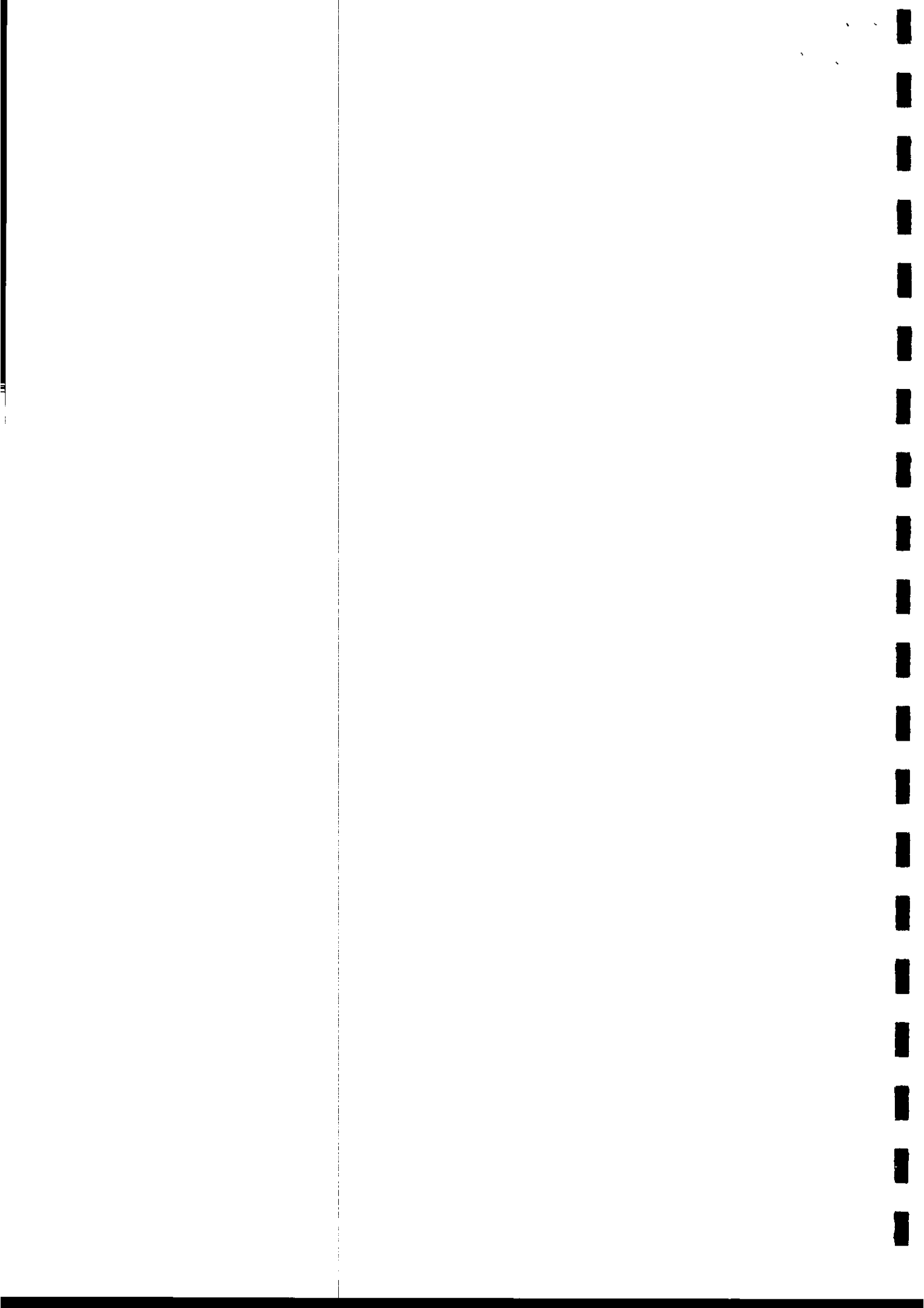
 **ERNST & YOUNG**

Oxagen Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

CONTENTS

	PAGES
DIRECTORS' REPORT	4 to 6
STATEMENT OF DIRECTORS' RESPONSIBILITIES	7
AUDITORS' REPORT TO THE SHAREHOLDERS	8
PROFIT AND LOSS ACCOUNT	9
BALANCE SHEET	10
STATEMENT OF CASHFLOWS	11
NOTES TO THE FINANCIAL STATEMENTS	12 to 20



DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

Oxagen is a genomics company founded in 1997.

Oxagen applies advanced genetic analysis to identify genes underlying common human diseases and characterise functional polymorphisms within those genes so as to improve the diagnosis and treatment of these conditions.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors consider the period of trading to have been satisfactory.

RESULTS AND DIVIDENDS

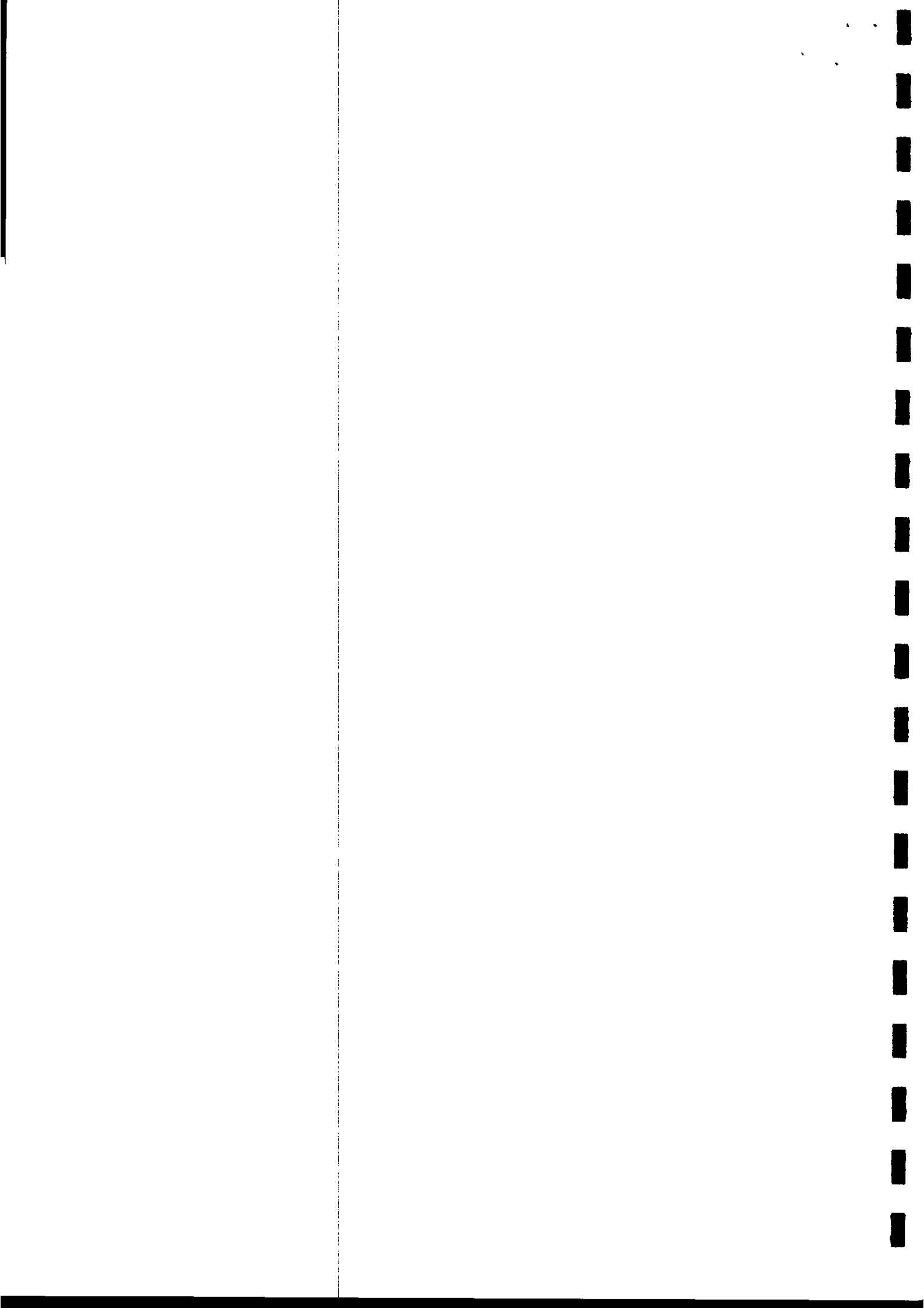
The company's loss for the period of £3,409,273 (1998: £2,521,441) has been transferred to reserves. The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as detailed on page 1.

The beneficial interests of the directors in the shares of the company were as follows:

	<i>At 31 December 1998</i>		<i>At 31 December 1999</i>	
	<i>Ordinary Shares</i>	<i>Deferred Shares</i>	<i>Ordinary Shares</i>	<i>Deferred Shares</i>
T. Nicholls	555,000	-	555,000	-
J. Noble	222,000	-	222,000	-
M. Edwards	442,180	-	442,180	-
N. Cross	4,000,000	2,250,000	4,555,556	2,250,000
I. Laing	4,000,000	2,250,000	4,555,556	2,250,000
J. Bell	1,000,000	-	1,000,000	-
J. Gordon	10,000	-	10,000	-
S. Iversen	-	-	-	-
P. Doyle	-	-	80,000	-
D. White	-	-	100,000	-



DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (CONTINUED)

Directors hold options over ordinary shares as follows:

		<i>At 31 December 1998</i>	<i>Granted during the year</i>	<i>At 31 December 1999</i>	<i>Exercise price</i>
T. Nicholls	a)	300,000	-	300,000	10p
	b)	255,000	-	255,000	10p
	d)	555,555	-	555,555	40p
J. Noble	c)	222,000	-	222,000	10p
	d)	55,000	-	55,000	40p
M. Edwards	a)	222,000	-	222,000	10p
	d)	333,000	-	333,000	40p
J. Gordon	c)	10,000	-	10,000	10p
	d)	55,000	-	55,000	40p
P. Doyle	e)	-	200,000	200,000	45p
D. White	e)	-	80,000	80,000	45p

The options are exercisable between the following dates:

- a) 12 June 2000 and 11 June 2007
- b) 1 August 2000 and 31 July 2004
- c) 30 April 2000 and 29 April 2004
- d) 26 March 2001 and 25 March 2005
- e) 15 December 2002 and 14 December 2006

In addition Mr D. White is entitled to an option to subscribe for a further 120,000 shares, but receipt is conditional on certain matters. This arrangement lapses on 30 June 2000 if the conditions are not met.

CHARITABLE AND POLITICAL DONATIONS

The company made no contributions to charitable or political organisations.

YEAR 2000 COMPLIANCE

A thorough review was completed during 1999 in respect of problems that might have arisen as a result of the year 2000. No significant problems were experienced with the passing of the new millennium. The Directors continue to monitor this area to ensure that there are no remaining issues which require modification or changes to the company's systems.

BIOINDUSTRY ASSOCIATION CODE OF BEST PRACTICE

The Directors have reviewed the provisions of the BIA Code of Best Practice and believe that they comply with all applicable areas.

DIRECTORS' REPORT

A resolution to re-appoint Ernst & Young as auditors and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

By order of the Board

 Secretary



Oxagen Limited

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.

REPORT OF THE AUDITORS to the members of Oxagen Limited

We have audited the accounts on pages 9 to 20, which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and the accounting policies set out on page 12.

Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, by the Auditing Practices Board, and by our profession's ethical guidance.

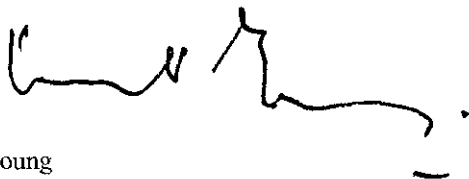
Basis of opinion

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

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

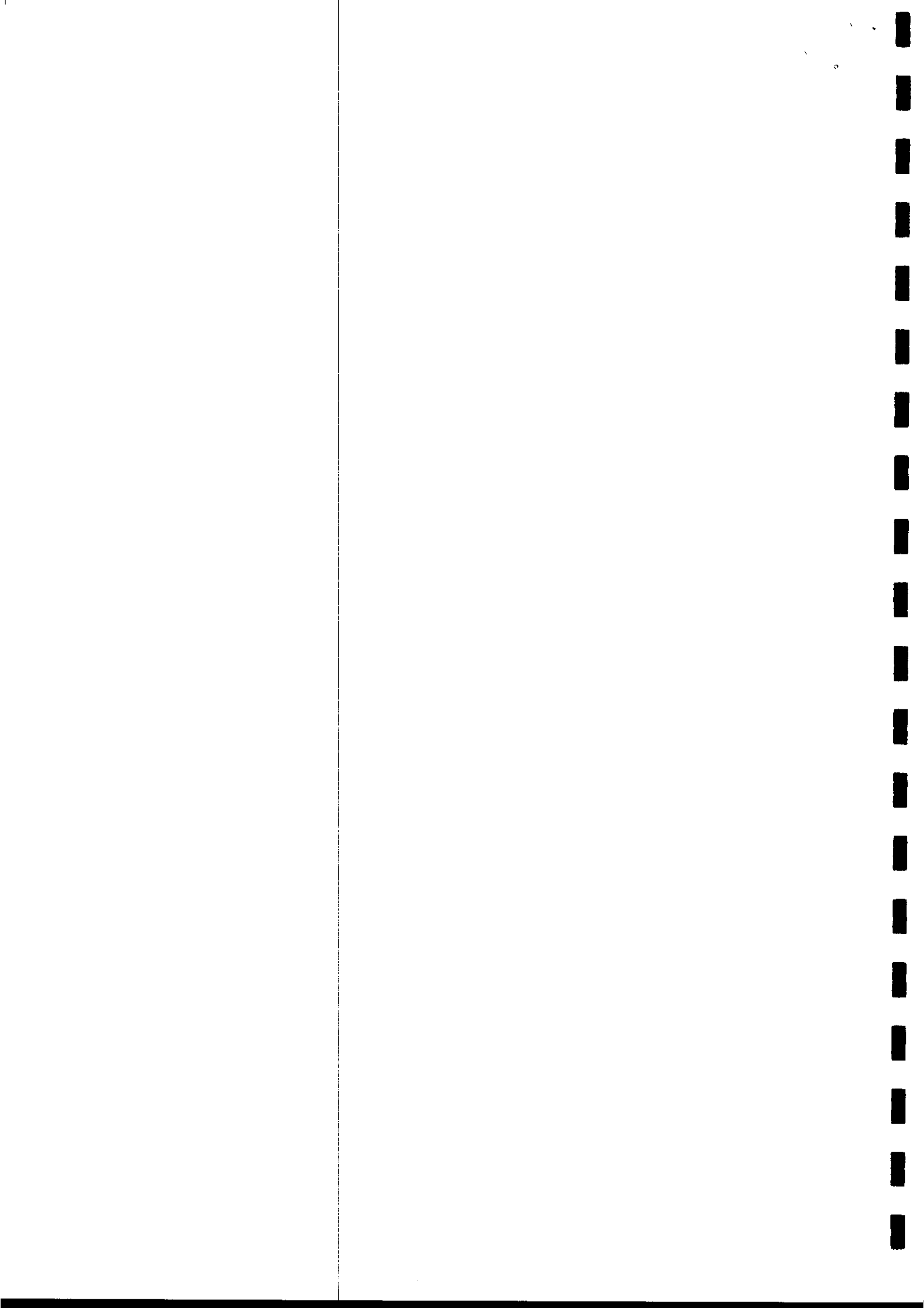
Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Reading

16 May 2000



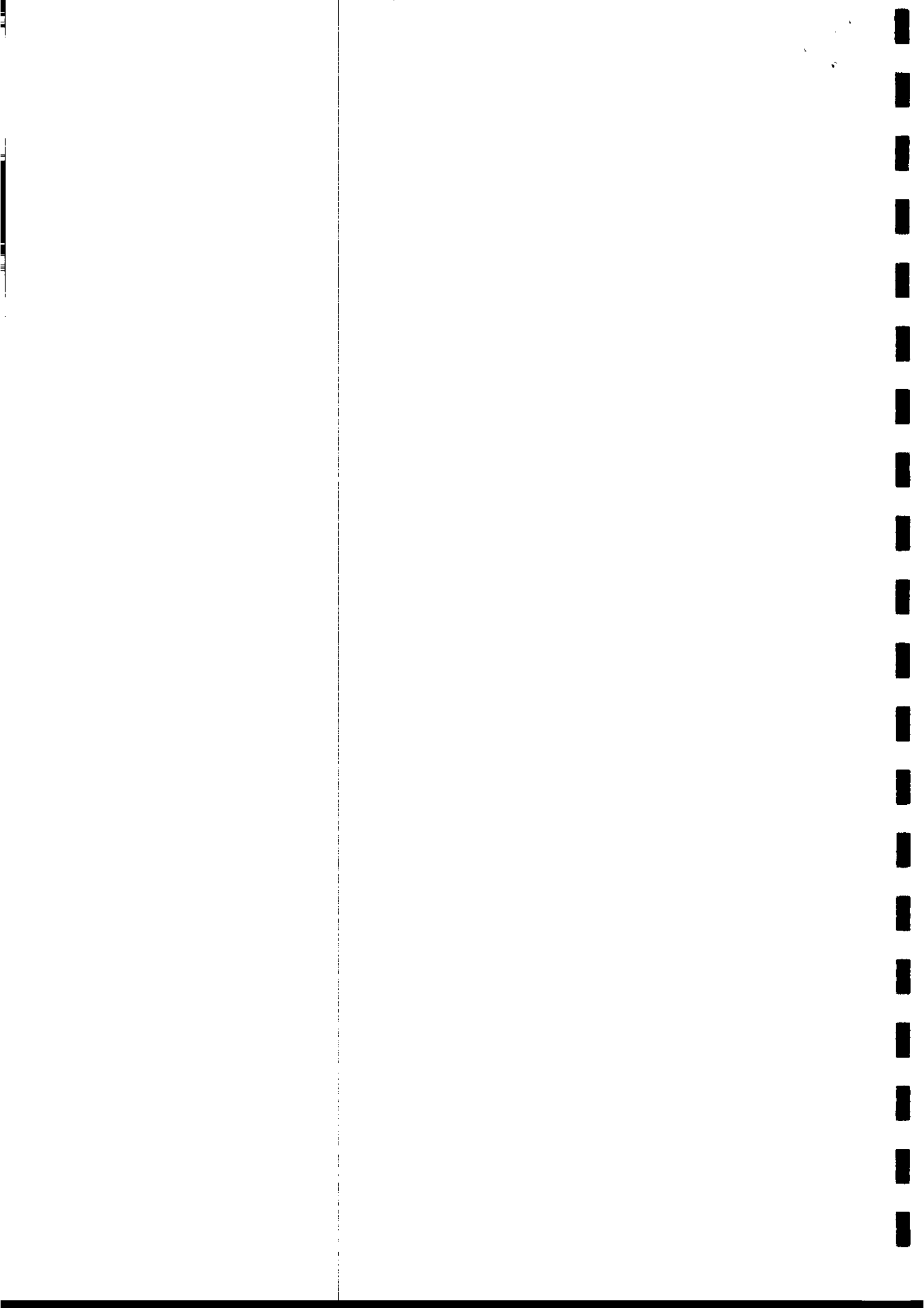
Oxagen Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1999

	Note	1999 £	1998 £
TURNOVER	3	1,466,700	518,933
OPERATING EXPENSES			
Research and development		(5,076,025)	(3,293,393)
Administrative		(352,492)	(375,637)
Other operating income		367,326	336,455
OPERATING LOSS	4	(3,594,491)	(2,813,642)
Interest receivable and similar income	7	234,139	341,119
Interest payable and similar charges	8	(48,921)	(48,918)
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		(3,409,273)	(2,521,441)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The loss on ordinary activities, as stated above, recognises all gains and losses for the period, as defined by Financial Reporting Standard No.3.



Oxagen Limited

BALANCE SHEET as at 31 December 1999

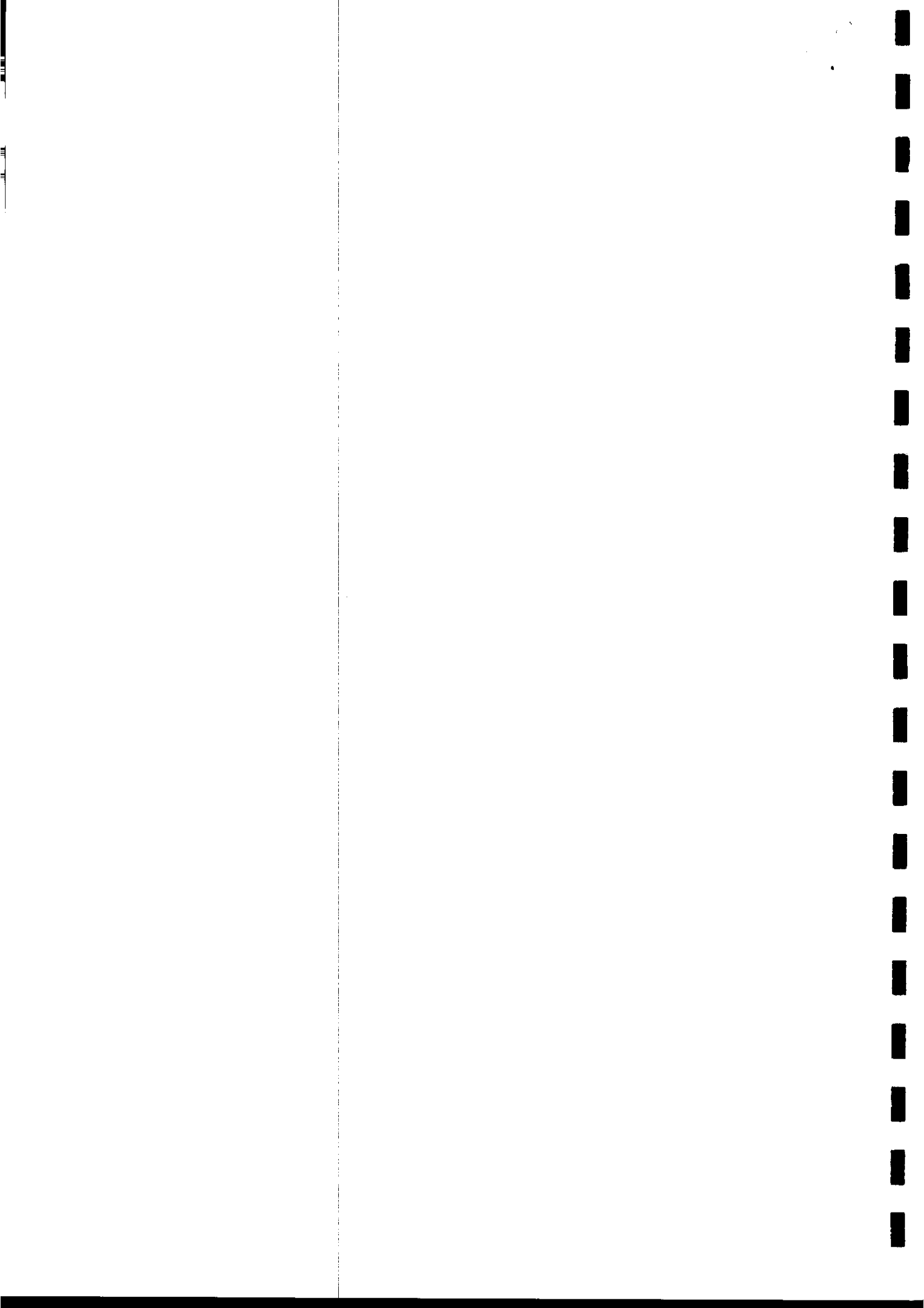
	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	10	2,656,529	2,090,371
CURRENT ASSETS			
Debtors	11	862,667	528,093
Cash at bank and in hand		7,393,139	5,521,384
		<u>8,255,806</u>	<u>6,049,477</u>
CREDITORS: amounts falling due within one year	12	<u>(1,525,851)</u>	<u>(1,027,965)</u>
NET CURRENT ASSETS		<u>6,729,955</u>	<u>5,021,512</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,386,484</u>	<u>7,111,883</u>
CREDITORS: amounts falling due after more than one year	13	<u>(15,359)</u>	<u>(199,665)</u>
TOTAL NET ASSETS		<u><u>9,371,125</u></u>	<u><u>6,912,218</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	5,652,278	4,345,900
Share premium account	15	10,696,802	6,135,000
Profit and loss account	15	(6,977,955)	(3,568,682)
		<u>9,371,125</u>	<u>6,912,218</u>
SHAREHOLDERS' FUNDS:			
Equity		8,471,125	6,012,218
Non-equity		900,000	900,000
		<u>9,371,125</u>	<u>6,912,218</u>

Director :



Date:

28/4/00



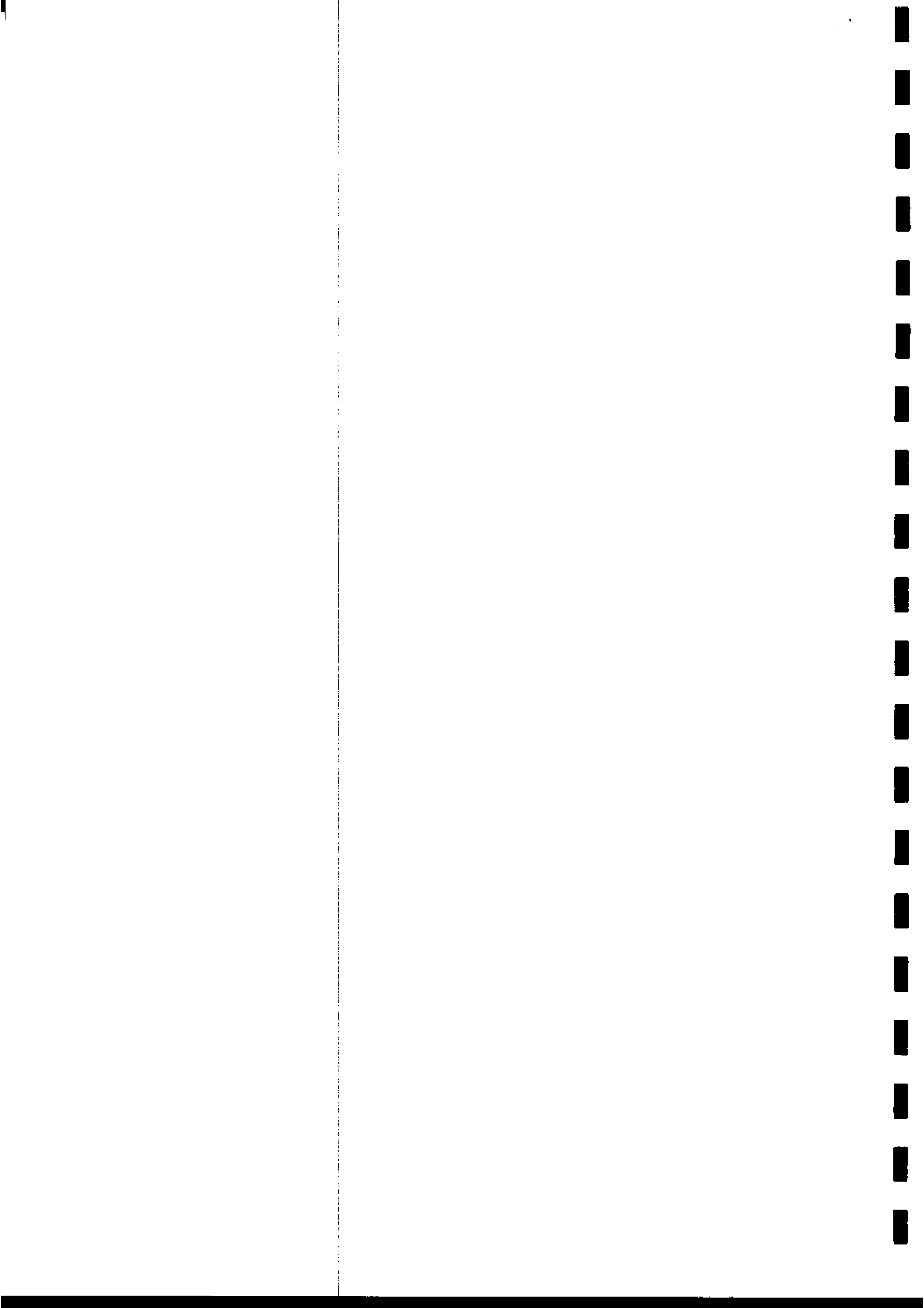
Oxagen Limited

STATEMENT OF CASH FLOWS for the year ended 31 December 1999

	Note	1999 £	1998 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	16(a)	(2,817,235)	(2,245,571)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	16(b)	185,218	292,201
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	16(b)	(1,180,101)	(1,059,601)
MANAGEMENT OF LIQUID RESOURCES	16(b)	(1,776,766)	(4,809,163)
FINANCING	16(b)	5,683,872	7,995,692
INCREASE IN CASH		<u>94,988</u>	<u>173,558</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Increase in cash		94,988	173,558
Cash used to pay capital element of finance			
lease and hire purchase payments		184,308	184,308
Cash outflow from increase in liquid resources		1,776,766	4,809,163
Movement in net funds resulting from cash flows	16(c)	<u>2,056,062</u>	<u>5,167,029</u>
NET FUNDS AT 1 JANUARY	16(c)	<u>5,137,411</u>	<u>(29,618)</u>
NET FUNDS AT 31 DECEMBER	16(c)	<u>7,193,473</u>	<u>5,137,411</u>



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1999

1 FUNDAMENTAL ACCOUNTING CONCEPT

Having reviewed the company's cashflow forecast and fund raising plans the directors consider it appropriate to prepare the accounts on a going concern basis.

2 ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less residual value, of each asset over its expected useful economic life from the date of purchase as follows:

Laboratory Fit-out Project	10 years straight line
Laboratory Equipment	5 years straight line
Office Equipment and Furniture	5 years straight line
Computer Equipment	3 years straight line

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

All exchange gains and losses in the normal course of business are taken to the profit and loss account.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Intangible fixed assets

The costs of obtaining patents are not capitalised.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Oxagen Limited

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 1999

3 TURNOVER

Turnover is represented by milestones arising from research and development, technology licence fees and payments relating to collaborative research agreements receivable during the year, stated net of value added tax.

4 OPERATING LOSS

This is stated after charging:

	1999 £	1998 £
Depreciation of owned fixed assets	500,650	284,179
Depreciation of assets held under finance leases	113,293	120,000
Auditors' remuneration - audit fees	7,000	5,000
Operating lease rentals-land and buildings	500,000	442,635
	<u>1,120,943</u>	<u>851,814</u>

5 STAFF COSTS

	1999 £	1998 £
Wages and salaries	1,432,174	922,115
Social security costs	144,614	91,114
Other pension costs	51,540	28,374
	<u>1,628,328</u>	<u>1,041,603</u>

The average weekly number of full time equivalent persons employed by the company during the period was as follows:

	1999	1998
Research and development	45	28
Corporate	8	7
	<u>53</u>	<u>35</u>

Oxagen Limited

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 1999

6 DIRECTORS' REMUNERATION

	1999 £	1998 £
Total emoluments	323,914	324,582
Contribution to money purchase pension schemes	10,681	7,632
	No.	No.
Number of directors in money purchase scheme	2	2
	1999 £	1998 £
Emoluments of the highest paid director	124,031	114,844
Contribution to money purchase pension scheme	5,906	4,219

7 INTEREST RECEIVABLE AND SIMILAR INCOME

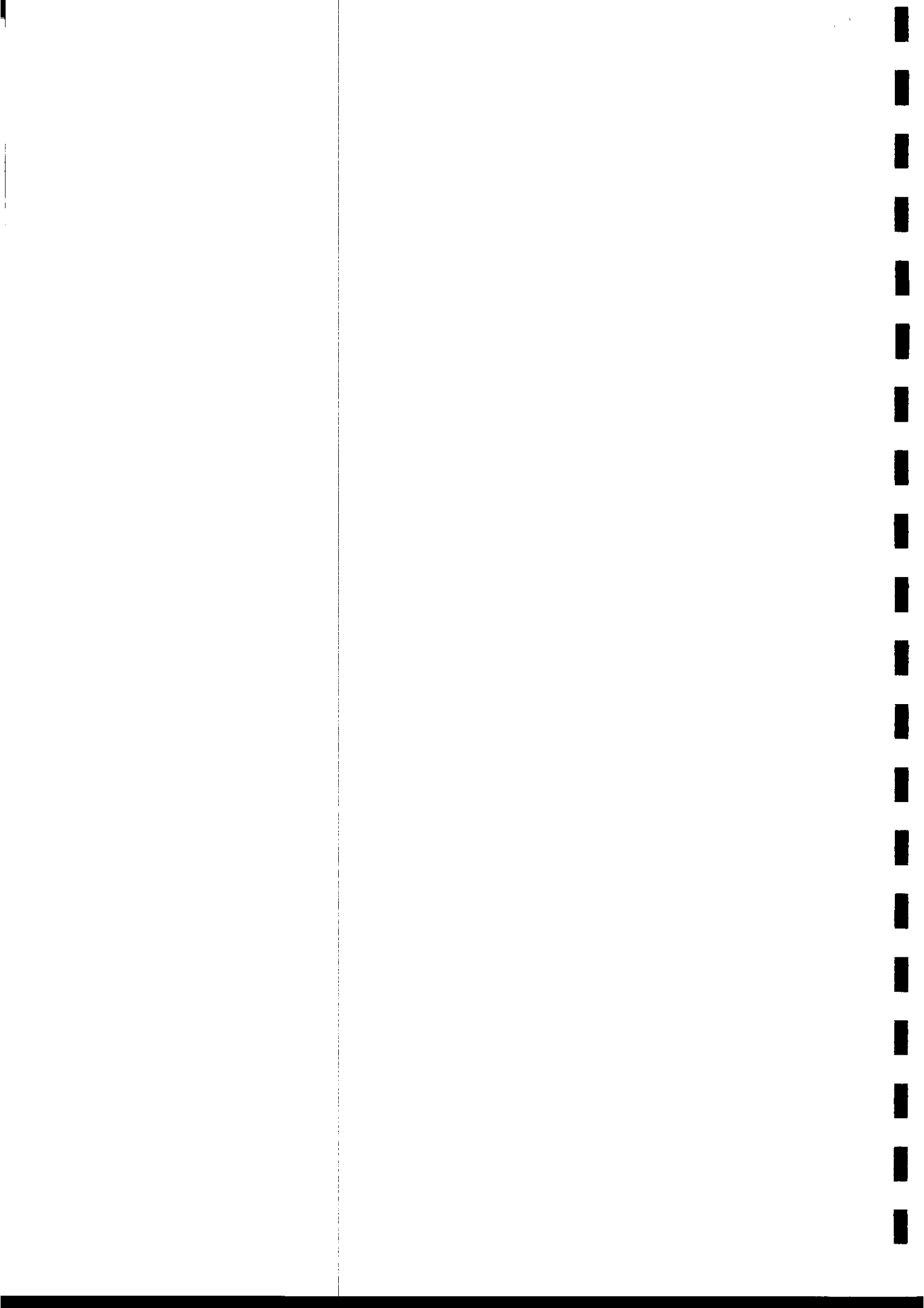
	1999 £	1998 £
Bank interest	234,139	341,119

8 INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Finance charges payable under finance leases and hire purchase contracts	48,921	48,918

9 TAXATION

There is no corporation tax charge for the period. Tax losses available to be carried forward against profits in future years are estimated to be £8,500,000 (1998: £5,000,000). Tax losses include scientific research allowances in respect of certain fixed assets.



Oxagen Limited

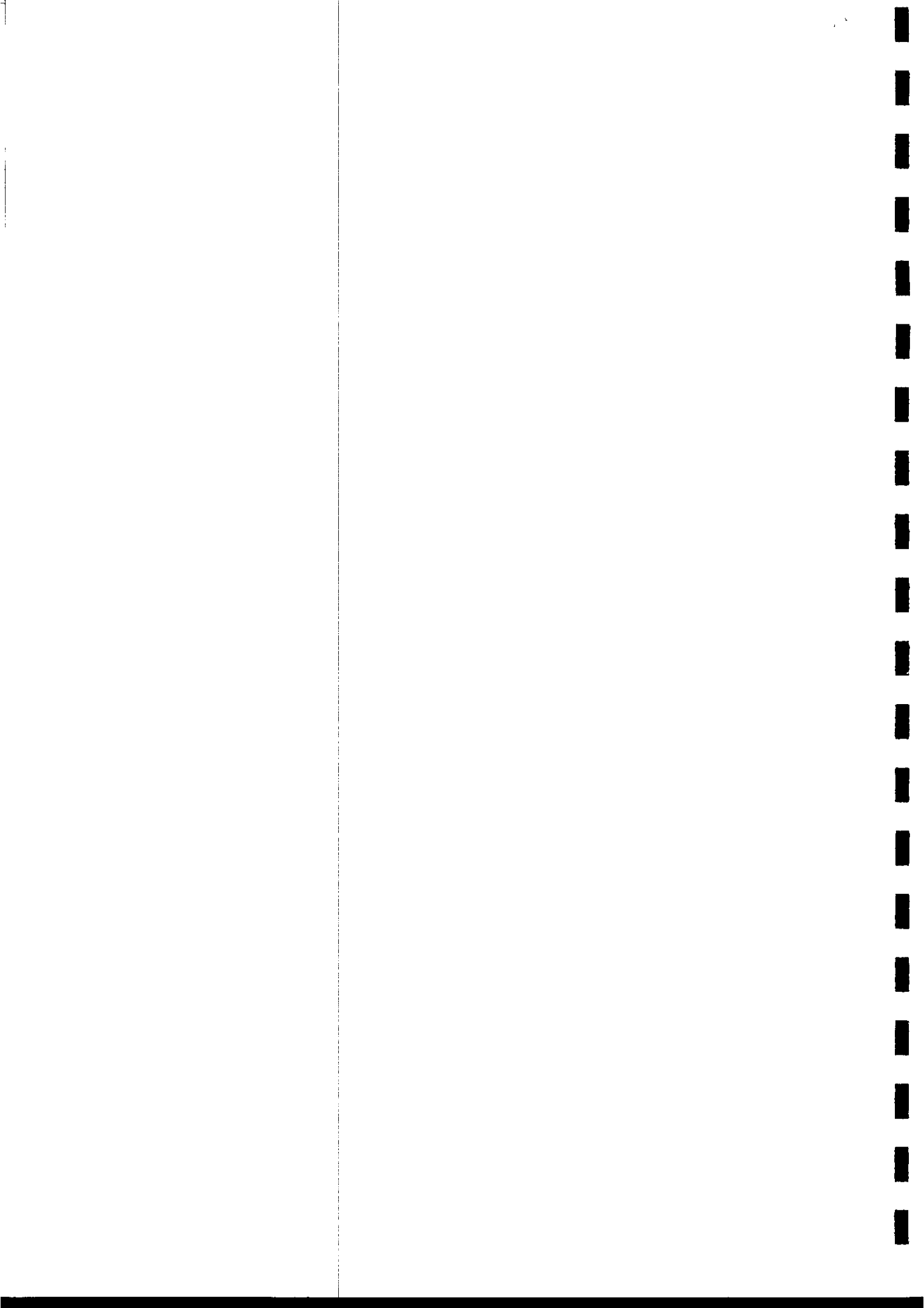
NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1999

10 TANGIBLE FIXED ASSETS

	<i>Computer Equipment</i>	<i>Laboratory Equipment</i>	<i>Office Equipment</i>	<i>Laboratory Fit out</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
1 January 1999	324,695	1,259,762	70,992	949,453	2,604,902
Additions	309,829	610,037	16,659	243,576	1,180,101
31 December 1999	634,524	1,869,799	87,651	1,193,029	3,785,003
Depreciation:					
1 January 1999	100,449	284,111	16,981	112,990	514,531
Charge for the period	156,174	323,824	16,684	117,261	613,943
At 31 December 1999	256,623	607,935	33,665	230,251	1,128,474
Net Book Value:					
At 31 December 1999	377,901	1,261,864	53,986	962,778	2,656,529
At 31 December 1998	224,246	975,651	54,011	836,463	2,090,371

The net book value of tangible fixed assets includes an amount of £309,523 (1998: £416,107) in respect of assets held under finance leases and hire purchase contracts.



Oxagen Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1999

11 DEBTORS

	1999 £	1998 £
Trade debtors	180,174	280,776
Other debtors	426,758	12,840
Prepayments and accrued income	255,735	234,477
	<u>862,667</u>	<u>528,093</u>

12 CREDITORS: amounts falling due within one year

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts	184,308	184,308
Trade creditors	407,831	314,598
Other taxes and social security	57,848	39,817
Accruals	381,660	186,989
Deferred income	494,204	302,253
	<u>1,525,851</u>	<u>1,027,965</u>

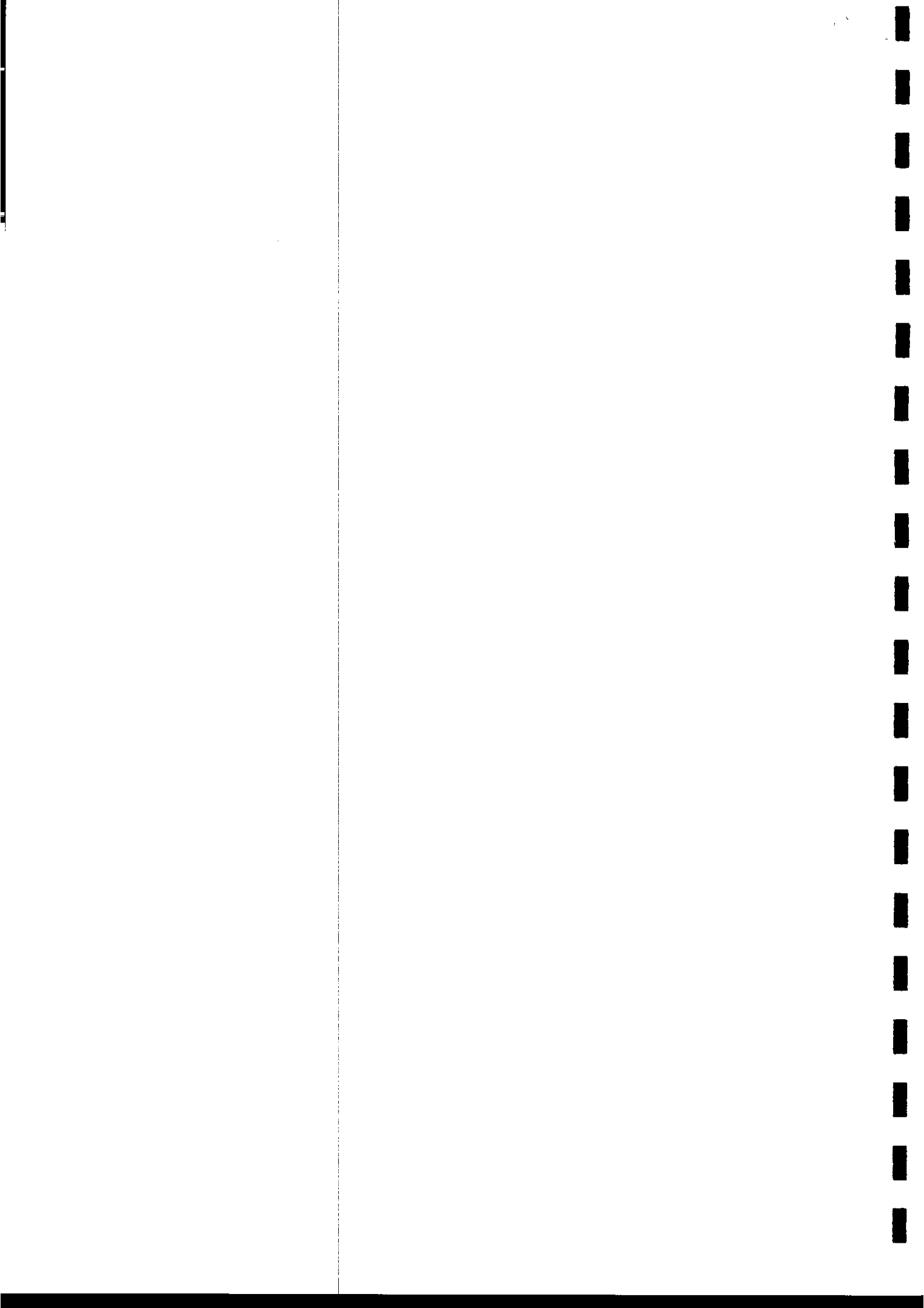
13 CREDITORS: amounts falling due after more than one year

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts	15,359	199,665
	<u>15,359</u>	<u>199,665</u>

Obligations under finance leases are secured on the assets to which they relate.

14 ANALYSIS OF SHARE CAPITAL

Authorised	1999 Number	1998 Number	1999 £	1998 £
Ordinary shares of 10 pence each	54,176,200	41,941,000	5,417,620	4,194,100
Deferred shares of 10 pence each	9,000,000	9,000,000	900,000	900,000
			<u>6,317,620</u>	<u>5,094,100</u>



NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 1999

14 ANALYSIS OF SHARE CAPITAL (continued)

	1999 Number	1998 Number	1999 £	1998 £
Allotted, called up and fully paid				
Ordinary shares of 10 pence each	47,522,784	34,459,000	4,752,278	3,445,900
Deferred shares of 10 pence each	9,000,000	9,000,000	900,000	900,000
			<u>5,652,278</u>	<u>4,345,900</u>

The following share issues have taken place during the year:-

Date	Number of 10 pence ordinary shares	Price paid per share (pence)
23 June 1999	6,441,892	45p
28 June 1999	80,000	45p
15 December 1999	6,541,892	45p

The deferred shares carry no voting rights and no dividend rights and in the event of the liquidation or winding-up of the company, each shareholder has the right to receive 0.001p per share.

On 30 April 1997, the company adopted an unapproved share option scheme and on 28 May 1997 adopted an Inland Revenue approved share option scheme to regulate the grant of options over the 10p ordinary shares to certain directors, employees and consultants. The options granted since the inception of the schemes up until 31 December 1999 were as follows:

	Number	Option price range	Period in which exercisable
Approved share option scheme	1,687,826	10p-45p	12.6.00 - 11.6.07
Unapproved share option scheme	3,214,006	10p-45p	30.4.00 - 14.12.06

Oxagen Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1999

15 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Premium	Share capital £	Profit and loss account £	Total share- holders' funds £
At 31 December 1998	6,135,000	4,345,900	(3,568,682)	6,912,218
(Loss) for the year	-	-	(3,409,273)	(3,409,273)
Shares issued during the year	4,561,802	1,306,378	-	5,868,180
At 31 December 1999	10,696,802	5,652,278	(6,977,955)	9,371,125

16 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating loss to net cash outflow from operating activities

	1999 £	1998 £
Operating loss	(3,594,491)	(2,813,642)
Depreciation	613,943	404,179
Increase in debtors	(334,574)	(224,369)
Increase in creditors	497,887	388,261
Net cash outflow from operating activities	(2,817,235)	(2,245,571)

(b) Analysis of cash flows for headings netted in the statement of cash flows

	1999 £	1998 £
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest received	234,139	341,119
Interest element of finance lease rentals payment	(48,921)	(48,918)
	185,218	292,201

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 1999

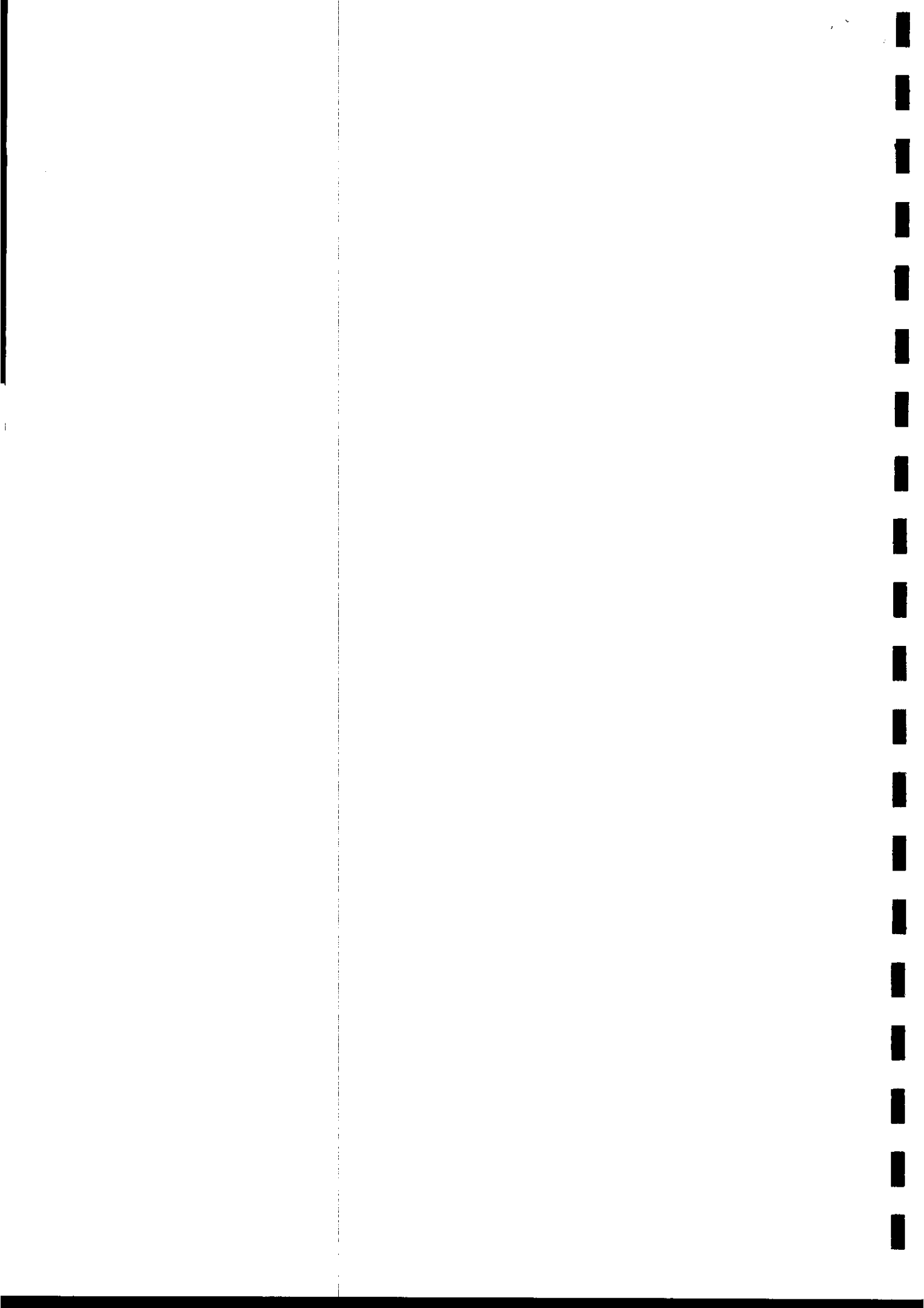
16 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(b) Analysis of cash flows for headings netted in the statement of cash flows (continued)

	1999 £	1998 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payment to acquire tangible fixed assets	(1,180,101)	(1,059,601)
	<u>(1,180,101)</u>	<u>(1,059,601)</u>
	1999 £	1998 £
MANAGEMENT OF LIQUID RESOURCES		
Net movement on liquid resources	(1,776,766)	(4,809,163)
	<u>(1,776,766)</u>	<u>(4,809,163)</u>
	1999 £	1998 £
FINANCING		
Issue of ordinary shares	5,868,180	8,180,000
Repayments of capital element of finance leases and hire purchase contracts	(184,308)	(184,308)
	<u>5,683,872</u>	<u>7,995,692</u>

(c) Analysis of net funds

	At 31 December 1998 £	Cash flow £	At 31 December 1999 £
Cash at bank and in hand	73,151	94,988	168,139
Liquid resources	5,448,234	1,776,766	7,225,000
Finance leases and hire purchase contracts	(383,974)	184,308	(199,666)
	<u>5,137,411</u>	<u>2,056,062</u>	<u>7,193,473</u>



NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 1999

17 OTHER FINANCIAL COMMITMENTS

Operating leases

As at 31 December 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	-
In two to five years	-	-	11,230	-
In over five years	500,000	500,000	-	-
	<u>500,000</u>	<u>500,000</u>	<u>11,230</u>	<u>-</u>

18 RELATED PARTY TRANSACTIONS

The shareholders of the company include the Wellcome Trust and the University of Oxford. In the course of undertaking certain research the company contracts with the University for the provision of research services and licences. All such arrangements are provided on an arms length basis, and are the subject of formal agreements.

