

Financial Statements

Oxford-Emergent Tuberculosis Consortium Limited

For the year ended 31 December 2012



Registered number: 06631227

Company Information

Directors	Professor Adrian Hill Dr Stephen Lockhart Ms Linda Naylor Mr Jay Reilly Mr Allen Shofe Mr Michael Stevens Dr Steven Chatfield (Chairman) Dr Xiaomi Tong (appointed 4 April 2012)
Company secretary	Mrs Emma Wheatley
Company number	06631227
Registered office	540 Eskdale Road Winnersh Triangle Wokingham Berkshire RG41 5TU
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 3140 Rowan Place John Smith Drive Oxford Business Park South Oxford Oxfordshire OX4 2WB
Bankers	Barclays Bank 27 Soho Square London W1D 3QR

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Directors' report

For the year ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Principal activities, review of business and future developments

The Company's principal activity for the year was the joint development of the MVA85A Tuberculosis (TB) vaccine between the University of Oxford and Emergent Biosolutions in the UK

There was direct grant income received during the year. The Company benefited indirectly by third party funding from the Wellcome Trust through the University of Oxford and from Aeras Global TB Vaccine Foundation towards clinical trials taking place in South Africa. This represents in part the development costs incurred in developing the MVA85A TB vaccine to date.

In 2012 the Company continued to follow its overall development plan, including an ongoing Phase IIb clinical trial and product development of the MVA85A TB vaccine.

Following the results of the Phase IIb clinical trial announced in February 2013, the directors have decided not to progress with further development of the vaccine. The directors' intention is that the Company will be placed into members' voluntary liquidation in the next twelve months. Accordingly the directors have decided it is appropriate to prepare the accounts on the break up basis and the accounts therefore include any relevant adjustments to provide for closure costs and to write assets down to their net realisable value.

All assets and liabilities on the Company's balance sheet are of a liquid nature and therefore there have been no adjustments required to reflect this change in accounting policy with exception of reclassifying long term debt to a current liability. This debt is wholly made up of loan notes due to Emergent Product Development UK Limited ("EPDU"), the controlling shareholder. Since the year end EPDU has agreed to write off this debt in full in exchange for some intellectual property and other assets owned by the Company, but not recorded as assets on the balance sheet. More details of this agreement are shown in the notes to the financial statements.

Results

The loss for the year, after taxation, amounted to £6,280,000 (2011 - loss £8,778,000)

Directors

The directors who served during the year were

Dr Stephen Lockhart
Ms Linda Naylor
Mr Jay Reilly
Mr Allen Shofe
Mr Michael Stevens
Dr Steven Chatfield (Chairman)
Dr Xiaomi Tong (appointed 4 April 2012)
Professor Adrian Hill
Mr Daniel Abdun-Nabi (resigned 4 April 2012)

Directors qualifying third party indemnity provisions

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Directors' report

For the year ended 31 December 2012

Political and charitable contributions

The Company made no charitable or political contribution during the year

Financial risk management

The Company did have exposure to foreign currencies during 2012. No hedging arrangements were entered into during this time. Cash reserves and credit risk are small and exposure is limited.

Payment of creditors

The Company's policy with respect to the payment of its suppliers is to either use standard payment terms or to agree payment terms when entering into a transaction and to abide by those terms.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

Directors' report

For the year ended 31 December 2012

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 02 May 2013 and signed on its behalf

A handwritten signature in black ink, appearing to read 'S. N. Chatfield', written over a horizontal line.

Dr Steven Chatfield (Chairman)
Director



Independent auditor's report to the members of Oxford-Emergent Tuberculosis Consortium Limited

We have audited the financial statements of Oxford-Emergent Tuberculosis Consortium Limited for the year ended 31 December 2012, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements. As described in note 1.2, due to the company's intention to close, the financial statements have been prepared on the break up basis.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent auditor's report to the members of Oxford-Emergent Tuberculosis Consortium Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

Tracey James (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Oxford
Date

2 May 2013

Profit and loss account

For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Turnover	1	258	-
Research and development costs		(5,486)	(7,904)
Administrative expenses		(921)	(874)
		<hr/>	<hr/>
Operating loss	2	(6,149)	(8,778)
Interest payable and similar charges	3	(131)	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(6,280)	(8,778)
Tax on loss on ordinary activities	4	-	-
		<hr/>	<hr/>
Loss for the financial year	8	<u>(6,280)</u>	<u>(8,778)</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

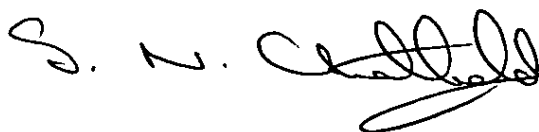
The notes on pages 9 to 15 form part of these financial statements

Balance sheet

As at 31 December 2012

	Note	£000	2012 £000	£000	2011 £000
Current assets					
Debtors	5	404		1,176	
Cash at bank		772		104	
		<u>1,176</u>		<u>1,280</u>	
Creditors' amounts falling due within one year	6	<u>(5,493)</u>		<u>(613)</u>	
Net current (liabilities)/assets			<u>(4,317)</u>		<u>667</u>
Net (liabilities)/assets			<u>(4,317)</u>		<u>667</u>
Capital and reserves					
Called up share capital	7		1		1
Share premium account	8		14,163		14,163
Capital Contribution	8		8,946		7,650
Profit and loss account	8		<u>(27,427)</u>		<u>(21,147)</u>
Shareholders' (deficit)/funds	9		<u>(4,317)</u>		<u>667</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 May 2013



Dr Steven Chatfield (Chairman)
 Director

The notes on pages 9 to 15 form part of these financial statements

Cash flow statement

For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Net cash flow from operating activities	13	(3,542)	65
Cash (outflow)/inflow before financing		(3,542)	65
Financing	14	4,210	-
Increase in cash in the year		668	65

Reconciliation of net cash flow to movement in net funds/debt

For the year ended 31 December 2012

	2012 £000	2011 £000
Increase in cash in the year	668	65
Cash inflow from increase in debt and lease financing	(4,210)	-
Movement in net debt in the year	(3,542)	65
Net funds at 1 January 2012	104	39
Net (debt)/funds at 31 December 2012	(3,438)	104

The notes on pages 9 to 15 form part of these financial statements

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

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

The accounting policies of the company have remained unchanged from the prior period other than as set out in 1.2 and are set out below

1.2 Going concern

It is the Directors' intention that the company will be put into members' voluntary liquidation within 12 months from the date the balance sheet is signed. Consequently the company is not a going concern, and the financial statements have been prepared on the break up basis, including all anticipated provisions for the costs of closure and write down of assets to the value expected to be realised based on the Directors' estimates. Actual realisations and costs on liquidation may vary from those anticipated. Costs associated with wind down activities are set out in note 2.

1.3 Revenue recognition

Grant income is recorded when earned, with reference to research and development costs incurred. Any amounts received in advance of performance are recorded as deferred revenue. None of the revenues recognised to date are refundable if the relevant research effort is not successful.

1.4 Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

1.5 Debtors - share capital due

The amounts previously owed by group and related undertakings for share capital due were split between current and long term debtors. The payments which were received as expenses were incurred on behalf of Oxford-Emergent Tuberculosis Consortium Limited, and therefore the amounts shown as current debtors were the estimated expenditure by those entities for the following year. These amounts were fully repaid during 2012.

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies (continued)

1.6 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Full provision for deferred tax is made in accordance with FRS 19

1.7 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account as foreign exchange gains or losses

2. Operating loss

(a) The operating loss is stated after charging

	2012 £000	2011 £000
Auditors' remuneration - Audit services	16	15
- Non-audit services - taxation	5	5
(Gain)/Loss on foreign exchange	(61)	54
Professional fees associated with liquidation	67	-
	<u>67</u>	<u>-</u>

During the year, no director received any emoluments (2011 - £NIL)

3. Interest payable

	2012 £000	2011 £000
On loans from group companies	131	-
	<u>131</u>	<u>-</u>

Notes to the financial statements

For the year ended 31 December 2012

4. Taxation

	2012 £000	2011 £000
(a) UK corporation tax charge on loss for the year	-	-

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.49% (2011 - 26.49%). The differences are explained below

	2012 £000	2011 £000
Loss on ordinary activities before tax	(6,280)	(8,778)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.49% (2011 - 26.49%)	(1,538)	(2,325)
Effects of		
Additional deduction for vaccine relief expenditure	-	(240)
Expenses not deductible for tax purposes	9	7
Unrelieved tax losses carried forward	1,529	2,558
Current tax charge for the year (see note above)	-	-

(c) Factors that may affect future tax charges

There are tax losses of approximately £29,753k (2011 £23,575k) available to carry forward for which no deferred tax asset has been recognised

(d) Deferred tax

The details of the provided and unprovided deferred tax are as follows

	2012 Provided £000	2012 Unprovided £000	2011 Provided £000	2011 Unprovided £000
Tax losses available	-	29,753	-	22,994
Related unprovided deferred tax asset	-	7,141	-	5,749

Notes to the financial statements

For the year ended 31 December 2012

5. Debtors

	2012	2011
	£000	£000
Amounts owed by group undertakings	258	981
Other debtors	141	195
Prepayments and accrued income	5	-
	<u>404</u>	<u>1,176</u>

6. Creditors:

Amounts falling due within one year

	2012	2011
	£000	£000
Loan from parent company	4,210	-
Trade creditors	1	7
Amounts owed to group undertakings	729	12
Amounts owed to related party	2	26
Other creditors	355	568
Accruals and deferred income	196	-
	<u>5,493</u>	<u>613</u>

7. Share capital

	2012	2011
	£	£
Authorised		
Allotted, called up and fully paid		
4,900 Shares (A) shares of £0 10 each	490	490
5,100 Shares (B) shares of £0 10 each	510	510
	<u>1,000</u>	<u>1,000</u>

The Ordinary A Shares and Ordinary B Shares rank pari passu

Notes to the financial statements

For the year ended 31 December 2012

8. Reserves

	Share premium account £000	Capital contribution n £000	Profit and loss account £000
At 1 January 2012	14,163	7,650	(21,147)
Loss for the year	-	-	(6,280)
Additional capital contribution	-	1,296	-
At 31 December 2012	<u>14,163</u>	<u>8,946</u>	<u>(27,427)</u>

The balance on the share premium account may not be distributed under section 830 of the Companies Act 2006

The capital contribution reserve represents non-refundable contributions from third parties towards the development costs of the vaccine

9. Reconciliation of movement in shareholders' funds

	2012 £000	2011 £000
Opening shareholders' funds	667	6,797
Prior year adjustments		(936)
Opening shareholders' funds (as restated)		5,861
Loss for the year	(6,280)	(8,778)
Capital contribution	1,296	3,584
Closing shareholders' (deficit)/funds	<u>(4,317)</u>	<u>667</u>

10. Parent undertaking and controlling party

The Company's immediate parent undertaking is Emergent Product Development UK Limited, which is incorporated in the England and Wales

The Company's ultimate parent undertaking and controlling party is Emergent BioSolutions Inc, which is incorporated in Delaware, USA. Emergent Biosolutions Inc has included the results of the company in its group financial statements, copies of which are available from [http // www.emergentbiosolutions.com](http://www.emergentbiosolutions.com)

Notes to the financial statements

For the year ended 31 December 2012

11. Related party transactions

During the period Emergent Product Development UK Limited continued to make payments against the amounts they owed in relation to shares they were issued in the year ended 31 December 2008. These payments were in the form of contributions towards the Company's expenditure in the year. Amounts remaining unpaid from Emergent Product Development UK Limited in respect of shares issued were £nil (2011 £981k).

At 31 December 2012 Isis Innovation Limited (a wholly owned subsidiary of the University of Oxford) was owed £27k (2011 £25k) by the Company for services incurred on behalf of the Company. Total services incurred during the year were £48k (2011 £25k).

At 31 December 2012, Emergent Product Development Limited ("EPDU") had loaned the Company £4,210k and interest of £131k had accrued on this loan. Since the balance sheet date it has been agreed that since the company will be winding up and ceasing all trading activities, EPDU will forgive loan due from the company, including all interest payable, in full in exchange for the assignment of various intellectual property assets from the Company to EPDU. This is expected to be completed within 6 months of the balance sheet date.

At 31 December 2012, Emergent Product Development UK Limited was owed £652k (2011 £12k) by the Company in respect of costs incurred on the Company's behalf.

At 31 December 2012 Emergent Product Development Gathersburg, a fellow subsidiary of the ultimate parent undertaking, owed the Company £258k (2011 £nil).

At 31 December 2012 Emergent BioSolutions Inc was owed £77k (2011 £nil) by the Company in respect of costs incurred on the Company's behalf.

12. Capital commitments and contingent liabilities

There were no capital commitments at 31 December 2012 or 31 December 2011.

There were no contingent liabilities at 31 December 2012 or 31 December 2011.

13. Net cash flow from operating activities

	2012 £000	2011 £000
Operating loss	(6,149)	(8,778)
Decrease in debtors	49	617
(Decrease)/increase in creditors	(178)	175
Increase in amounts owed to group undertakings	459	-
Contributions to costs from shareholders	981	4,467
Contributions to costs from other contributors	1,296	3,584
Net cash (outflow)/inflow from operating activities	(3,542)	65

Notes to the financial statements

For the year ended 31 December 2012

14. Analysis of cash flows for headings netted in cash flow statement

	2012 £000	2011 £000
Financing		
New loans from parent company	4,210	-

15. Analysis of changes in net debt

	1 January 2012 £000	Cash flow £000	Other non-cash changes £000	31 December 2012 £000
Cash at bank and in hand	104	668	-	772
Debt.				
Debts due within one year	-	(4,210)	-	(4,210)
Net funds	104	(3,542)	-	(3,438)