# Targeting cancer

Annual Report and Accounts: year ended 30 June 2005

# Targeting Cancer

There remains an urgent need to improve survival and quality of life for cancer patients.

Antisoma develops novel products for the treatment of cancer.

# Contents



# Highlights of 2004/2005

## Advances across the pipeline

- AS1404 enters phase II development in three cancers
  - Lung cancer study reaches patient recruitment target (in August 2005)
  - Prostate and ovarian cancer trials also on track
- AS1411 phase I study reopened (in September 2005) after promising data reported at ASCO
- AS1410 selected as lead telomere targeting agent and manufacturing agreement signed
- AS1409 fully acquired from EMD-Lexigen collaboration and enters manufacturing

## Acquisition strengthens portfolio

- Aptamera acquired for £16.0 million in shares
- Promising aptamer drug AS1411 added to pipeline

## Financial highlights

- Cash and liquid resources at 30 June 2005 of £25.0 million (2004: £38.8 million)
- Full-year net loss of £7.1 million (2004: £0.6 million)
- Revenues of £6.3 million (2004: £18.1 million)
- Plan to list on NASDAQ announced; application made for US Level I 'ADR' programme

# Financial Summary

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Revenue** | **6,268** | 18,118 |
| **Research and development expenses** | **(12,459)** | (16,584) |
| **Group operating loss** | **(11,117)** | (3,126) |
| **Loss after tax** | **(7,135)** | (608) |
| **Loss per ordinary share** (basic and diluted) | **(2.44)p** | (0.25)p |
| **Cash and liquid resources** | **25,045** | 38,833 |
| **Shareholders' funds** | **38,276** | 29,492 |

# Antisoma at a glance

## Antisoma's objective is to develop and commercialise new and improved drugs for cancer

**Company profile**
Antisoma specialises in the development of novel anti-cancer drugs. The Company has built up a diverse pipeline of drugs based on different approaches to the targeting of cancer. Three of these drugs are in clinical trials and two more are expected to start trials during 2006. Antisoma is listed on the London Stock Exchange (LSE: ASM) and is based at two locations, with corporate offices in West London and a laboratory at St George's Hospital in South London. As of June 2005, the Company employed a total of 63 staff.

**Focus on cancer**
The cancer market is growing rapidly, driven by the increasing incidence of the disease among ageing populations and the emergence of new therapies. Despite the advent of new treatments there remains a great demand for improved strategies to combat cancer. This provides many commercial opportunities. Antisoma aims to exploit these opportunities by developing new drugs that are more effective and better tolerated than existing treatments.

**Focus on development**
Antisoma's expertise lies in the development of drugs rather than their initial discovery. Antisoma therefore fills its pipeline by acquiring promising product candidates from academic institutions or commercial enterprises. This is described as a 'search and develop' approach. The Company's development work is conducted in many countries around the world under the co-ordination of expert staff at Antisoma's London office and laboratory.

**Collaborations and partnerships**
Antisoma has forged strong global partnerships and collaborations, most notably the strategic alliance formed with major pharmaceutical company Roche in 2002. This alliance provides Antisoma with ongoing financial benefits in return for worldwide rights to products and an option on new drugs entering the clinic until November 2007. Antisoma also has collaborations with prestigious institutions in Europe, North America and Australasia and works with many hospitals around the world on its programme of clinical trials.

## ANTISOMA'S CANCER DRUG PIPELINE

| Drug | Partner | Indication | Preclinical | Phase I | Phase II | Phase III |
|---|---|---|---|---|---|---|
| AS1404 | Roche | Lung | ●●●●●● | ●●●●●● | ●●●●●● | ○○○○○○ |
| | | Prostate | ●●●●●● | ●●●●●● | ●●●●●● | ○○○○○○ |
| | | Ovarian | ●●●●●● | ●●●●●● | ●●●●●● | ○○○○○○ |
| AS1411 | Unpartnered | Various cancers | ●●●●●● | ●●●●●● | ○○○○○○ | ○○○○○○ |
| R1550 | Roche | Breast | ●●●●●● | ●●●●●● | ○○○○○○ | ○○○○○○ |
| AS1410 | | To be confirmed | ●●●●●● | ○○○○○○ | ○○○○○○ | ○○○○○○ |
| AS1409 | | To be confirmed | ●●●●●● | ○○○○○○ | ○○○○○○ | ○○○○○○ |
| AS1406 | | To be confirmed | ●●●●●● | ○○○○○○ | ○○○○○○ | ○○○○○○ |



**Commercialisation**
Antisoma has two distinct routes to bring its products to market. In 2002 the Company formed a strategic alliance with Roche to exploit Antisoma products with large market potential. Within this alliance, Antisoma typically conducts phase I and II trials while Roche is responsible for phase III trials and commercialisation. Antisoma will earn returns through progress-based milestone payments and royalties on any sales by Roche. The majority of Antisoma's current pipeline products are in, or expected to enter, the Roche alliance. However, Antisoma also develops certain drugs independently. The Company expects to bring these drugs to market itself or retain a substantial share of their value by partnering them at a late stage of development.

**Drugs in development**
Antisoma's pipeline is diverse and includes monoclonal antibodies, small-molecule drugs and a nucleic-acid aptamer.

AS1404 is a small-molecule vascular disrupting agent that selectively targets tumour blood vessels. This mechanism gives it potential against a wide variety of tumours. A phase II programme is evaluating AS1404 in combination with established chemotherapy treatments. Separate trials are ongoing in non-small cell lung, ovarian and prostate cancers.

AS1411 (formerly AGRO100) was added to Antisoma's pipeline through the acquisition of the US biotechnology company Aptamera. AS1411 is an aptamer that binds to the protein nucleolin, which is found on the cell surface in many types of cancer. A phase I study showed promising signs of anti-cancer activity and has now been reopened to recruit further patients with kidney and lung cancers.

R1550 is an antibody that targets another protein, MUC1, found on the surface of cancer cells. The aim of therapy with R1550 is to tag cancer cells for attack by the patient's immune system. Roche is conducting and funding a phase I trial of R1550 in metastatic (spreading) or locally advanced breast cancer. The drug may also have potential in a range of other cancers.

Antisoma's most advanced preclinical drugs are AS1410, a telomere targeting agent, and AS1409, a fusion protein combining an antibody with a biological mediator. Both are expected to enter the clinic during 2006. A third drug, AS1406, based on targeted delivery of a lethal enzyme, is being prepared for the last phase of preclinical development.

For further details, visit www.antisoma.com

# Joint Chief Executive and Chairman's Statement

## Antisoma continues to expand and advance its pipeline of cancer drugs

Antisoma has made sustained progress throughout the past year, delivering on pledges to advance the drugs in its pipeline and to enhance its portfolio by acquiring a new clinical product. Our achievements illustrate some of the key features of our 'search and develop' business model, whereby we acquire promising early-stage cancer drugs and add to their value through effective development programmes:

• Our expertise has enabled us to identify and bring in exciting product candidates from across the world, as illustrated by the positive market reaction to this year's acquisition of Aptamera and its aptamer drug AS1411

• We have a successful track record in acquiring diverse products from different sources, which has allowed us to build a balanced pipeline and avoid dependence on any particular technology. With a portfolio of drugs in development, we can focus our resources on those most likely to provide shareholder returns, as we did this year by ceasing development of AS1405 to devote more resources to AS1411

• We have a strong infrastructure for developing new drugs, so we are able to add value rapidly to the drugs that we acquire – as shown by AS1404, which we have advanced through one phase I and, during the past year, into three phase II trials in different cancers

• We have two potential routes to commercialise our products, taking some products through development ourselves to retain all their upside potential while the large-market products in our portfolio enter our alliance with Roche, providing us with returns through progress-based milestone payments and royalties on any sales. With this two-stranded approach we can address a range of market opportunities and provide ourselves with various options for the further growth of the Company.

During the past year we have acquired AS1411 for independent development while AS1404 and R1550 have continued to progress within the alliance, the latter funded in full by Roche.

**Advances across the pipeline**

The programme of phase II trials for AS1404 is the largest in the Company's history, and is now close to yielding important findings on the efficacy of this drug, which targets the blood vessels on which tumours rely to grow and spread. Three trials in different cancers are evaluating AS1404 in combination with chemotherapy drugs, building on positive preclinical data and the successful completion of phase I trials. The first phase II trial, in non-small cell lung cancer, began in September 2004 and reached its recruitment target during August 2005. We expect to report the first outcomes from this trial – rates at which patients' tumours respond to treatment – during this year, with further data on time to disease progression and survival available during 2006. Also anticipated next year are efficacy results from the other AS1404 phase II studies, in prostate and ovarian cancers, which started in May and June 2005, respectively.

Our other clinical products are progressing well through phase I development. Our antibody drug R1550 is now being developed and funded by Roche, and is currently in a US phase I trial in patients with metastatic (spreading) or locally advanced breast cancer. This trial is now most likely to report during the first half of 2006. The aptamer drug AS1411 recently re-entered trials following its incorporation into our pipeline through the acquisition of Aptamera, which is described below.

In addition to our three clinical products, we have two drugs nearing the completion of preclinical development. Last July we announced that we had gained exclusive rights over the antibody-cytokine fusion drug AS1409 (huBC1-huIL12) by acquiring the interest of our collaborator, EMD-Lexigen. We have since initiated manufacturing of AS1409 with the intention of starting trials during 2006. During November 2004, we announced that we had selected a lead candidate, AS1410, from our programme of telomere targeting agents, and in June we announced that we had initiated manufacturing and expected AS1410 to enter the clinic in the first half of 2006. Both AS1409 and AS1410 are novel and exciting drugs with substantial potential that will be eligible for potential inclusion into our alliance with Roche.

**Company acquisition further diversifies pipeline**

In February we completed the acquisition of the private US company, Aptamera, through the issue of 66.5 million new shares, valuing Aptamera at £16.7 million, including acquisition costs. We bought Aptamera on the strength of its lead drug, the aptamer AS1411. In May, promising phase I data on AS1411 were reported at the annual meeting of the American Society of Clinical Oncology (ASCO), with findings of particular interest in three renal cancer patients. We have since been granted US orphan drug status in renal cancer and in September 2005 announced the reopening of the phase I study for recruitment of additional patients with renal and lung cancers. The acquisition of AS1411 adds a DNA aptamer to the three antibody products and two small-molecule drugs among our six priority programmes. These drugs all have distinct mechanisms of action and work via five different targets, providing us with a very high level of pipeline diversity and consequent lack of dependence on any particular technology.





"WITH KEY MILESTONES APPROACHING ON MULTIPLE PRODUCTS WE LOOK FORWARD TO SIGNIFICANT NEWSFLOW OVER THE COMING YEAR."

GLYN EDWARDS, CHIEF EXECUTIVE OFFICER

**A global company**

During the year we announced our intention to list our shares on the NASDAQ market in the US in addition to our listing on the London Stock Exchange. The application to list will be made when the Company's situation and market conditions allow. We already have a significant US shareholder base, which expanded greatly this year through the acquisition of Aptamera. Listing in the US would increase our exposure to the US capital markets, a step that the Directors believe would enhance our long-term growth prospects and our ability to exploit new opportunities for development. As an interim step, we have filed an application for a Level I programme of American Depositary Receipts (ADRs) to enable dollar-denominated trading of our ordinary shares prior to the listing.

As we increase our operational and investor activity in the US, we are pleased to welcome Mr Dale Boden as a Non-Executive Director. Dale is based in Louisville, Kentucky, where we retain a substantial shareholder base following the acquisition of Aptamera. He is President of BF Capital, Inc., a US private investment firm, and serves on the boards of several US companies. We would like to thank Dr Mark Rogers, former Chairman of Aptamera, for serving on the Antisoma Board during the integration of Aptamera from February until June 2005.

Dr Miroslav Ravic, our Chief Clinical Officer, has recently left the Company to pursue his own private business interests. We would like to take this opportunity to thank him for his contribution and wish him well for the future.

**Sound finances**

Our financial results this year reflect the Company's continued investment in its clinical pipeline, the acquisition of Aptamera and changes in costs and revenues relating to R1549 and R1550. We closed the year with £25.0 million in cash and liquid resources, compared with £38.8 million last year. The money invested has advanced multiple programmes to a stage where we expect to reach significant milestones in development during 2005 or 2006. Our current resources are sufficient to reach these milestones on the three clinical and two most advanced preclinical programmes. The Company will continue to review its cash position in the light of results from its product pipeline and will seek to maintain the financial resources necessary to execute its development programmes.

Total operating costs have fallen to £17.4 million from £21.2 million last year, with research and development costs £4.1 million lower at £12.5 million. These figures mask a significant increase in investment in Antisoma's development programmes, which is more than offset by the near-cessation of expenditure on two programmes – R1549 and R1550 – where Antisoma was previously bearing costs and recharging these to Roche.

Reduced revenue, from £18.1 million last year to £6.3 million this year, also reflects reductions in refunding of expenditure by Roche (£0.4 million compared with £8.7 million for 2004), as well as declining recognition of revenues relating to the 2002 alliance agreement with Roche (£5.9 million compared with £9.4 million for 2004).

Losses of £7.1 million compared with a £0.6 million loss last year reflect the decrease in revenues partly offset by decreased development expenditure and the recognition of research and development tax credits in respect of 2004 and 2005.

For full details see the Financial Review on pages 8 and 9.

**Important newsflow ahead**

Antisoma moves into a new year with a strong and diverse pipeline of cancer drugs together with the human and capital resources to add further value to its assets. We continue to benefit from the support provided by our strategic alliance partner, Roche, as we approach important newsflow on the products currently included in the alliance, AS1404 and R1550. Both these drugs have potential across a wide range of cancers. In the coming months we will know much more about the efficacy and value of AS1404 and the next steps for development of R1550. Meanwhile, we are delighted to be taking our AS1411 aptamer drug back into patients after very promising results from its first phase I trial and expect to push two more innovative cancer drugs into the clinic in 2006.

Glyn Edwards

**Glyn Edwards**
Chief Executive Officer

B.J. Price

**Barry Price**
Chairman

# Overview of Operations

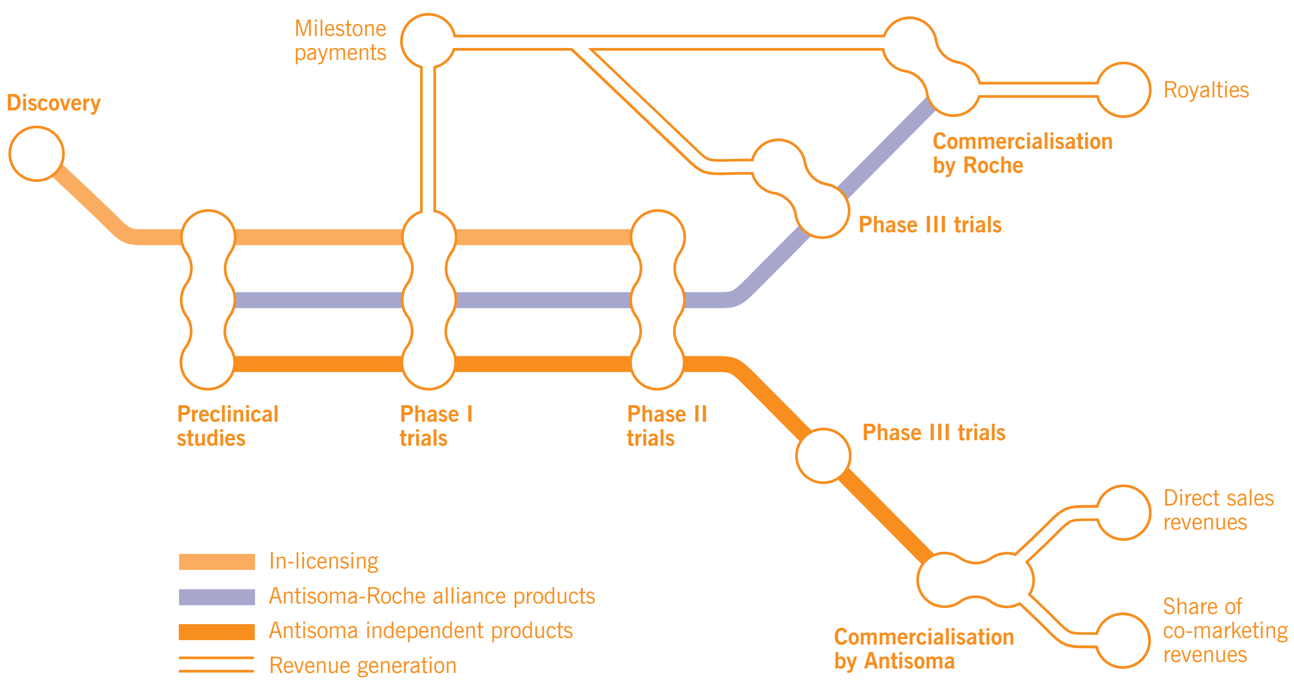
## Antisoma's broad pipeline of cancer drugs shows the value of its business model

Antisoma operates a 'search and develop' business model. The Company acquires promising early-stage drugs from academic and commercial institutions around the world (light-orange line on diagram). Antisoma adds value to these fledgling drugs by designing and implementing effective development programmes.

The Company has two distinct routes to bring its products to market. In 2002 the Company formed a strategic alliance with Roche to exploit Antisoma products with large market potential (purple line on diagram). Within this alliance, Antisoma generally conducts phase I and II trials while Roche is responsible for phase III trials and commercialisation. Antisoma earns returns through progress-based milestone payments and royalties on any sales by Roche.

The majority of Antisoma's current pipeline products are in, or expected to enter, the Roche alliance. Antisoma is, however, also independently developing certain drugs that do not fit the alliance but which are nevertheless commercially attractive (dark-orange line on diagram). Antisoma expects to bring these drugs to market itself or retain a substantial share of their value by partnering them at a late stage of development.

### SEARCH AND DEVELOP BUSINESS MODEL




Antisoma has built up a strong team with expertise in acquiring and developing cancer drugs. This page highlights the role played by the various functions within the Company in pursuit of our business model.

Work on our products takes place in many countries, and much of it is carried out by external researchers and specialist contractors. However, all activity is overseen and managed by our relatively small team in London. This allows the Company to maintain a high degree of flexibility in its operations.

**Business development group**
- Acquisition of new products
- Out-licensing deals for development and commercialisation
- Management of alliances with Roche and other partners
- Management of intellectual property portfolio
- Business analysis

**Project management and manufacturing group**
- Co-ordination of drug development projects
- Drug manufacturing

**Product research and development group**
- Preparation of drugs for trials
- Non-human studies to support drug development
- Scientific input on new product opportunities
- Dealings with regulatory authorities worldwide

**Clinical group**
- Design and execution of clinical trials
- Clinical input on new product opportunities

"THE ACQUISITION OF APTAMERA ILLUSTRATES OUR ABILITY TO FIND INNOVATIVE NEW PRODUCTS FROM AROUND THE WORLD AND INCORPORATE THEM SUCCESSFULLY INTO OUR OPERATION."
URSULA NEY, CHIEF OPERATING OFFICER

# Financial review

Antisoma has obtained a new product by acquiring Aptamera while advancing its established development programmes

Our financial results this year reflect the Group's continued investment in its clinical pipeline, the acquisition of Aptamera and changes in costs and revenues relating to R1549 and R1550. Although total research and development costs have fallen by some 25% to £12.5 million, investment in the programmes funded by the Group has risen significantly. This has, however, been more than offset by the reduction in development costs on R1549 and R1550, where Antisoma was previously bearing costs and recharging these to Roche.

As described in the joint Chief Executive and Chairman's statement, the Company has made advances across the pipeline during the year:

- We began three phase II studies of AS1404
- We acquired a novel clinical compound, AS1411, through the acquisition of Aptamera in February 2005
- We have been making manufacturing and regulatory preparations for the entry of two pre-clinical compounds into the clinic in 2006; and
- R1550 continues to advance, through a phase I study conducted by our alliance partner Roche

In February we completed the acquisition of the private US company Aptamera through the issue of 66.5 million new shares, representing 20% of the combined entity and, with acquisition costs of £0.7 million, valuing Aptamera at £16.7 million upon closing. Aptamera has now been fully integrated within the Group. Administrative costs of Aptamera prior to its acquisition were approximately $2 million under US GAAP in the year ended 31 December 2004 (including $1.2 million in relation to compensation charges on warrants) and are expected to be less than $0.2 million in the year commencing 1 July 2005.

With continuing expansion of our programmes in the US and a growing base of US shareholders, Antisoma has applied to commence an American Depositary Receipt ('ADR') Level I programme and announced its intention, when the Company's situation and market conditions allow, to seek a NASDAQ listing.

## Results of operations

### Roche alliance

Under our strategic alliance with Roche signed in November 2002, Roche paid £4.15 million for 20.7 million new ordinary 1p shares (then representing 9.1% of our issued ordinary share capital) and made further upfront payments to Antisoma totalling £23.2 million. In return Roche gained exclusive worldwide rights to the products then in clinical development and a five-year option on new oncology products entering clinical trials. Subsequently the alliance has generated additional revenues for Antisoma of £5.2 million in the period November 2002 to 30 June 2003, £8.7 million in the year ended 30 June 2004 and £0.4 million in the year ended 30 June 2005. These additional revenues relate to the funding of development of R1549 and R1550.

### Revenues

Total revenues for the year ended 30 June 2005 were £6.3 million (2004: £18.1 million). Revenues include £0.4 million (2004: £8.7 million) in relation to development costs for R1549 and R1550 as mentioned above and £5.9 million (2004: £9.4 million) for the recognition of part of the £23.2 million non-refundable upfront payments from Roche for product rights. The balance of £2.5 million from Roche's upfront payments will be recognised in the profit and loss account in future periods. The reduction in revenues follows the closedown of the R1549 programme and transfer of the R1550 programme to Roche in 2004.

"WE HAVE MANAGED OUR CASH FLOW TO ACHIEVE OUR OBJECTIVES AND ARE PLEASED TO BE TRIALLING SEVERAL DRUGS ACROSS A RANGE OF CANCERS."

Raymond Spencer, Chief Financial Officer

### Losses

Antisoma made a loss of £7.1 million in the year compared with a £0.6 million loss in the previous year. The increased losses are due to the fall in revenues offset by decreased development expenditure and higher research tax credits.

Total operating costs have fallen to £17.4 million from £21.2 million last year. Research and development costs are £4.1 million lower at £12.5 million and administrative expenses are £4.9 million compared with £4.7 million in 2004.

No development costs on R1549 were incurred (2004: £5.7 million), following the discontinuation of its development. Costs on R1550 were also negligible following transfer of its management to Roche in 2004. The Group has increased expenditure on developing other products to £12.0 million. The most significant programme expenditure relates to AS1404, where we have been conducting a substantial development effort. Development costs also include £0.5 million (2004: £0.7 million) amortisation of intangible assets. The increase in administrative expenses is due to the consolidation of administrative costs of Aptamera of £0.1 million post-acquisition, a general increase in corporate activity and additional facilities costs.

### Taxation

The profit and loss account shows a tax credit of £2.5 million for Research and Development tax relief (2004: £1.2 million). Given the current status of the business the Directors have taken the decision to claim the tax credit in respect of qualifying expenditure in the year ended 30 June 2005. Previously, the decision to claim the tax credit was made after the accounts were finalised and hence credited to the profit and loss account one year in arrears.

### Liquidity and capital resources

Our year-end cash and liquid resources were £25.0 million (2004: £38.8 million). The Group has the necessary financial resources to meet its objectives of obtaining data on the clinical efficacy of AS1404, completing the reopened Phase I study of AS1411, and moving AS1409 and AS1410 into the clinic. Future profitability of the Company will depend upon its ability, together with Roche, to progress its drug candidates through the clinical and regulatory process to marketing approval. Roche has an option to take over the responsibility for development of AS1404 if and when it enters phase III. This would result in the transfer of phase III development costs to Roche and a milestone payment from them. The Directors expect that the Company will seek to obtain additional funding to develop its products, the extent and timing of which may be dependent upon the clinical data obtained on AS1404, AS1411 and R1550.

Net cash outflow from operating activities in the year was £15.3 million (2004: £9.6 million), the increase due principally to the operating loss adjusted for the recognition of deferred revenues from Roche that were received in cash in the year ended 30 June 2003.

Antisoma is an early-stage biopharmaceutical company, which expects to continue to incur operating losses for a number of years as it invests in its pipeline of cancer drugs.

Net cash inflow from returns on investments and servicing of finance in the year ended 30 June 2005 was £1.6 million (2004: £1.3 million). The increase in returns on investments reflects a greater proportion of funds being held in short-term deposits.

Debtors at 30 June were £2.7 million (2004: £2.2 million), which includes a tax credit receivable of £1.6 million. Accruals and deferred income includes the balance of £2.5 million (2004: £8.4 million) of the non-refundable upfront payments from Roche for product rights. This will be recognised as revenue in future periods.

### Loss per share

Loss per share was 2.44p compared with 0.25p for 2004.

**Raymond Spencer**
Chief Financial Officer

# Directors and senior management

**1• Barry Price,** BSc, PhD, FRSC
**Non-Executive Chairman**
Barry, 62, was appointed to the Board of Antisoma in April 1997, and became Chairman in February 1998. He is also a Non-Executive Director of Shire Pharmaceuticals plc and Pharmagene plc and Chairman of BioWisdom Ltd. He has previously held the positions of Director at Chiroscience plc and Celltech Group plc and Director of Primary Production at Glaxochem Ltd.

**2• Glyn Edwards,** BSc, MBA
**Chief Executive Officer**
Glyn, 50, was appointed Chief Executive Officer in March 1998. He is an Executive Director of Antisoma plc and its subsidiary undertakings, Antisoma Research Ltd and Cancer Therapeutics Ltd. Glyn is also an Executive Officer of the subsidiary undertaking Aptamera, Inc. Prior to joining Antisoma, he was Director of Business Development at Therapeutic Antibodies.

**3• Ursula Ney,** BSc, PhD, MBA
**Chief Operating Officer**
Ursula, 53, was appointed Chief Operating Officer in February 2004. She is an Executive Director of Antisoma plc. Prior to joining Antisoma she was Chief Executive Officer of Charterhouse Therapeutics Ltd. Before her time at Charterhouse she spent fourteen years at Celltech, where she was Director of Development and served on the board.

**4• Raymond Spencer,** BSc, ACA
**Chief Financial Officer**
Raymond, 50, was appointed Chief Financial Officer in October 1996. He is an Executive Director of Antisoma plc and its subsidiary undertakings, Antisoma Research Ltd and Cancer Therapeutics Ltd. Raymond is also an Executive Officer of the subsidiary undertaking Aptamera, Inc. He qualified as a Chartered Accountant with KPMG and, prior to joining Antisoma, was Finance Director at Cambridge Molecular Technologies Ltd.

**5• Grahame Cook,** MA, FCA
**Non-Executive Director**
Grahame, 47, was appointed Non-Executive Director in July 1999. He has 17 years of investment banking experience and is a chartered accountant. He was until 2003 Chief Executive Officer of West LB Panmure. He was a Managing Director in investment banking at UBS Ltd from 1995 to 1998 and a member of UBS's Global Investment Banking Management Committee. He was a founder member of the TechMARK Advisory Committee.

**6• Michael Pappas,** LLB, CA
**Non-Executive Director**
Michael, 49, was appointed Non-Executive Director of Antisoma Research Ltd in 1993 and of Antisoma plc on formation of the Company in October 1996. He has a degree in law and is a member of the Institute of Chartered Accountants of Scotland. Michael is a Director of Kudos Independent Financial Services Ltd.

**7• Birgit Norinder**
**Non-Executive Director**
Birgit, 56, was appointed Non-Executive Director in December 2003. She is a trained pharmacist and has held senior executive positions in R&D in Pharmacia & Upjohn Corp. She has also held senior R&D positions at Glaxo Group Research Ltd, Astra Research Centre AB, Pfizer Inc and Parke Davis AB. She has been Chief Executive Officer and Chairman of Prolifix Ltd and currently serves on the boards of a number of biotechnology companies including Photocure ASA and Artimplant AB.

**8• Ann Hacker,** BSc
**Non-Executive Director**
Ann, 54, was appointed Non-Executive Director in July 2002. She was formerly Chief Executive Officer of Metris Therapeutics Ltd and was previously a Non-Executive Director of Profile Therapeutics plc, Board Director of Glaxo Pharmaceuticals plc, Chief Executive Officer of Biocompatibles International plc and Chief Executive Officer of Deltex Medical Ltd. Ann is also a Non-Executive Director of Sitka Health Fund VCT plc and Alchimer SA.

**9• Dale Boden,** BA
**Non-Executive Director**
Dale, 48, was appointed Non-Executive Director in September 2005. He is President of BF Capital Inc. a US private investment firm that focuses on private equity, venture capital investing and real estate development. He also serves on the boards of several US companies. Dale is based in Louisville, Kentucky and was a Director and member of the executive committee of Aptamera, Inc. prior to its acquisition by Antisoma.

**10• Nigel Courtenay-Luck,** PhD
**Chief Scientific Officer**
Nigel, 53, was appointed Chief Scientific Officer in 2003, having previously held the position of Technical Director. He is also a Non-Executive Director of Herbal Healthcare Ltd and is a Senior Lecturer in Immunology at London's Hammersmith Hospital.

**11• Nicholas Adams,** BSc
**Director of Business Development**
Nick, 41, was appointed Director of Business Development in November 2003. Prior to this he was Business Development Manager for four years. Before joining Antisoma, Nick held R&D positions at Ciba-Geigy, Eisai Ltd and Cephalon Inc.

**12• David Scales,** LLM, PhD, FRCPath
**Director of Product Research and Development**
David, 53, joined Antisoma in March 2004 as Director of Product Research and Development. He previously led Research and Development for Strakan Pharmaceuticals and then Charterhouse Therapeutics. Prior to moving into the biotechnology industry he spent 18 years with Glaxo as a Vice President and Director with responsibility for drug metabolism, toxicology and regulatory affairs. David is a Non-Executive Director of Enhance Biotech Inc.

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**13• Sharon Grimster,** BSc
**Director of Project Management and Manufacturing**
Sharon, 46, was appointed Director of Project Management and Manufacturing in April 2004. Previously she spent several years at Celltech in a variety of research, manufacturing and project management roles. Following the mergers of Celltech with Chiroscience and Medeva, Sharon became Head of Biologics Manufacturing Development. From 2002-2004 Sharon was Director of Westerly Projects Ltd. Sharon has chaired the Manufacturing Advisory Committee for the BIA since 2003 and is a member of the Department of Trade and Industry's Manufacturing Forum.

**14• Daniel Elger,** BA, PhD
**Director of Communications**
Daniel, 35, was appointed Director of Communications in April 2005, having been Head of Corporate Communications at Antisoma since 2002. He previously worked for medical publishing companies and two pharmaceutical communications consultancies, Blackwell Healthcare and Avenue HKM.

# Directors' report

The Directors present their report and the audited financial statements for the year ended 30 June 2005.

**Principal activity**
The principal activity of the Group during the year was pharmaceutical research and development.

**Developments during the year and future prospects**
We have continued to develop our product pipeline, both by advancing our existing portfolio and by acquiring new agents. A full review of the business and future developments is given in the Joint Chief Executive and Chairman's statement on pages 4 and 5.

**Dividends**
No interim dividend (2004: £nil) was declared during the year and the Directors do not recommend payment of a final dividend (2004: £nil).

**Research and development**
A description of the Group's research and development activities is given on pages 6 and 7.

**Directors**
The Directors who held office during the year or were appointed after the year-end were as follows:

**Executive Directors**
Glyn Edwards
Raymond Spencer
Ursula Ney

**Non-Executive Directors**
Barry Price (Chairman - Independent)
Grahame Cook (Independent)
Michael Pappas
Ann Hacker (Independent)
Birgit Norinder (Independent)
Mark Rogers – Appointed 2 February 2005 and resigned 8 June 2005
Dale Boden – Appointed 13 September 2005

Biographical details of the Directors are given on pages 10 and 11.

**Directors' interests**
The interests of Directors in the shares and options of the Company are given in the report of the Board on remuneration on pages 16 to 21. None of the Directors had a material interest at any time during the year in any contract of significance other than a service contract with the Company or any of its subsidiaries. Information regarding Directors' service contracts is given on page 18 within the report of the Board on remuneration.

**Major interest in shares**
No single person directly or indirectly, individually or collectively, exercises 'control' over the Company. The Directors are aware of the following persons, other than Directors, who had an interest in 3% or more of the issued ordinary share capital of the Company as at 10 October 2005.

| | Number of ordinary shares | Percentage of issued ordinary share capital |
|---|---|---|
| Leventis Holding SA | 31,293,378 | 9.34% |
| Roche Finance Limited | 20,733,240 | 6.19% |
| BVF Partners L.P. | 14,825,828 | 4.78% |
| UBS AG | 16,000,000 | 4.43% |

At this date no other person had notified any interest in the ordinary shares of the Company required to be disclosed to the Company in accordance with sections 198 to 208 of the Companies Act 1985 and representing material interests of 3% or more or any non-material interest of 10% or more of the issued ordinary share capital of the Company.



# Directors' report continued

**Employees**
The Directors are committed to continuing involvement and communication with employees on matters affecting both the employees and the Company. A full review of the policies relating to employees is given in the corporate social responsibility review on pages 14 and 15.

**Health, safety and environment**
The Directors are committed to ensuring the highest standards of health and safety, both for their employees and the communities within which the Company operates. The Directors are also committed to minimising the impact of the Company's operations on the environment. A full review of the policies relating to health and safety and the environment is given in the corporate social responsibility review on pages 14 and 15.

**Charitable and political donations**
No donations were made during the year to charitable or political organisations.

**Creditor payment policy**
The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not have a standard code of conduct which deals specifically with the payment of suppliers.

The average creditor days for the Group during the year were 30 days (2004: 28 days) and for the Company were nil (2004: nil).

**International Financial Reporting Standards**
Antisoma's first full financial statements under International Financial Reporting Standards ('IFRS') compliant accounting policies will be made for the year ending 30 June 2006 and its first financial information under IFRS policies will be for the six months ending 31 December 2005. The Directors are committed to ensuring that the transition to IFRS is actively managed.

The change in reporting following the adoption of IFRS will, amongst other areas, principally impact amortisation of goodwill and other intellectual property assets and use of share awards as remuneration.

**Annual General Meeting**
The Notice convening the Annual General Meeting, which will take place at 9.30am on 9 December 2005 at the offices of CMS Cameron McKenna, Mitre House, 160 Aldersgate Street, London EC1A 4DD, was sent out to shareholders with this report. Details of the business to be transacted at the AGM can be found in the separate circular to shareholders that accompanies this document.

By order of the Board

**Raymond Spencer**
Company Secretary

# Corporate social responsibility review

Antisoma's business is the development of novel drugs for the treatment of cancer. Many millions of people worldwide are affected by cancer every year and our aim is to satisfy the unmet clinical need for more effective and better-tolerated treatments.

The Group is committed to operating its business in accordance with its corporate social responsibilities to all stakeholder groups. The Board is mindful of the importance of being socially responsible and strives to improve the Group's approach to Corporate social responsibility. The Group conducts its business with a view to minimising any possible adverse impact on the local community and our corporate social responsibility framework continues to develop as the Company matures.

The Group is a member of the BioIndustry Association (BIA), the trade association for biotechnology companies in the UK, of which our CEO Glyn Edwards is Deputy Chairman. The BIA has published a Code of Practice to establish principles of best practice for information communication and management amongst its members. The Group plays an active role in the BIA and complies with this Code of Practice.

**Stakeholder Communication**
The Group gives high priority to effective communications with all stakeholders. Antisoma has a dedicated in-house communications team responsible for ensuring the comprehensive delivery of information to all stakeholder groups. The Group's website operates an 'on-request' service whereby shareholders and others interested in the Company can request public documents such as press releases and Annual and Interim reports. Visitors can also register their details on an automated mailing list. The Group regularly webcasts Company presentations. Antisoma was awarded the TechMARK MediScience 'Best Communication' award in June 2005.

The Chief Executive, Chief Financial Officer and Director of Communications meet regularly with analysts and major shareholders to update them on the Group's business and to gain understanding of the markets' expectations. As well as being available at the Annual General Meeting, Barry Price, our Chairman meets with major investors from time to time.

**Employees**
Much of our value and potential for success depends upon our staff and the experience and expertise they bring to the Group. The Directors believe in rewarding staff appropriately and have designed the Group's remuneration policy accordingly. Employees' salaries are benchmarked and all staff are members of the Company Share Option Plan. In addition, all permanent staff are eligible for life assurance cover, a private healthcare scheme and membership of the Group's pension scheme. The Group has introduced enhanced policies relating to maternity and paternity leave, which exceed the current statutory position in the UK.

The Group is committed to providing equal opportunities, irrespective of background, age, sex, race, sexual orientation, religion, gender, nationality, marital status or disability and has a careers section on the website highlighting current vacancies and information about recruitment policy. Our aim is to attract the best people in the industry, and we believe in maximising every employee's potential. Three of our nine Board members are women.

Management has an 'open-door' policy and employees can raise questions about the Group or their employment easily and get issues resolved quickly. Staff appraisals are carried out once a year and annual objectives are set each July. Staff are encouraged to consider their objectives within the framework of the organisation as a whole. We believe this helps to promote both greater efficiency and a sense of shared achievement.

We encourage in-house training and support staff in further study where appropriate. The Group strives to accommodate employees' needs in order to enable them to balance their working and home life. Antisoma has recently appointed a dedicated Head of Human Resources.

The Group's intranet promotes internal communication, keeping employees up-to-date with current news and building good working relationships through information sharing. The Group also holds regular staff meetings.

The Group aims to conduct its business to the highest standards and with honesty and integrity at all times. Our Staff Handbook sets out the Group's policies, with which employees are expected to comply, and includes guidance relating to standards of conduct, equal opportunities, gratuities, harassment and whistle-blowing.



# Corporate social responsibility review continued

**Partners**
The Group works with a variety of partners to carry out the appropriate studies for the development of each of its products. We ensure that partners are using appropriate standards for work being performed on our behalf. Contractors are chosen based on technical ability, capacity, geographical location and quality standards. The quality standards used in human pharmaceutical development are GCP (Good Clinical Practice), GLP (Good Laboratory Practice) and GMP (Good Manufacturing Practice).

The Group is committed to sharing information with the wider scientific community. Members of staff participate in a variety of scientific forums in the cancer research field, and we regularly present and publish our work.

**Health and Safety**
The Group is committed to providing a safe environment for its employees and others who are engaged in or who may be impacted by the Group's operations. The Board is aware of its legal and moral obligations for Health and Safety at work and is committed to preventing accidents and minimising occupational ill health. The Group's policies relating to Health and Safety are set out in the Safety Code of Practice and the Staff Handbook. Our procedures are monitored and improvements identified through periodic external audits and internal safety inspections. The Group's Health and Safety Committee meets regularly to discuss issues and promote good practice, and there are a number of Health & Safety Officers, whose role is to promote and monitor safe working conditions.

**Environment**
The Group is committed to playing a part in protecting the environment and is aware of its corporate responsibilities. The Group seeks to minimise the impact of its activities on the environment. The Group's policies relating to laboratory Health and Safety, including disposal of waste, are set out in a Safety Code of Practice. The Group endeavours to ensure that all gaseous emissions and liquid or solid waste produced are controlled and disposed of, whether handled directly or via a third party, in accordance with applicable laws and regulations and with the minimum impact on the environment. Disposal of hazardous waste is handled by specialist agencies. The Group meets all the statutory requirements relating to handling and disposal of radioactive materials. All clinical waste produced by our laboratory is given a unique tag on removal to ensure that it can be traced back to the Group.

# Report of the Board on remuneration

**Introduction**
This report has been prepared in accordance with the Financial Services Authority Listing Rules, the Directors' Remuneration Report Regulations 2002 and the 2003 Combined Code on Corporate Governance. A resolution to approve this report will be proposed to shareholders at the Annual General Meeting in December 2005 and is set out as resolution number 2 in the Notice of the meeting, which accompanies the Annual Report and Accounts 2005.

**Policy**
The Remuneration Committee aims to ensure that the Group is able to attract and retain Executive Directors and senior managers with the necessary skills and expertise by providing competitive remuneration, incentives and benefits that reward individual and group performance. The Committee gives consideration to the guidelines set out in the Combined Code, as well as best-practice guidelines published by the Association of British Insurers and the National Association of Pension Funds. The Directors believe that the Remuneration Committee complies with Schedule A of the Combined Code in respect of designing schemes for performance-related remuneration. The Remuneration Committee has carried out a review of the annual performance incentive and longer term incentives and has amended the compensation arrangements in these respects to meet the future needs of the Company and to align the interests of Executive Directors and senior employees more closely with those of shareholders. The current policies adopted by the Company will also apply through to the end of next year and are outlined below.

**Committee**
The Remuneration Committee is comprised entirely of independent Non-Executive Directors and is chaired by Ann Hacker. Other Directors who served on the Committee during the year are listed on page 23. The Committee, which now meets four times per year, makes recommendations to the Board regarding the policy for and determination of total compensation for Executive Directors and senior managers ('the Management Group'). The Committee also has responsibility for establishing policy for total compensation for all employees within the Group and for approving share awards and share options. New Bridge Street Consultants LLP ('NBSC'), who have considerable expertise in the biotechnology sector, were appointed under instruction from the Committee to provide independent external advice and analysis on compensation matters including provision of competitive market data. Other than assisting the Group on the implementation of the Committee's decisions, NBSC provides no other services to the Group. The Group's corporate lawyers, CMS Cameron McKenna, have also assisted the Board on compensation matters during the year. Committee meetings are attended as appropriate by the Chief Executive Officer, Glyn Edwards, who is invited to provide input on remuneration proposals other than those directly concerning his own remuneration. The Chief Financial Officer, Raymond Spencer, has provided administrative support to the Remuneration Committee in his role as Company Secretary.

**Components of Executive Directors' and senior management compensation packages**
Consistent with the above policy, compensation awarded to the Management Group comprises a mix of performance and non-performance-related elements. In respect of Executive Directors, it is intended that the relative percentage of performance-related elements of pay should continue to increase and have the potential to represent more than half of total remuneration.

**Base salary**
Salaries are reviewed annually taking into account the responsibilities and performance of each Director or senior manager and his/her expected future contribution. These are then benchmarked. The Committee aims to set base salaries for the Management Group close to the median of base salaries for similar positions within other biopharmaceutical companies of a similar size.

**Annual performance incentive**
The Group operates a discretionary bonus scheme. Such bonuses are awarded dependent upon performance, which is measured against individual and corporate objectives set at the beginning of the year, also taking into account the relative share price performance of the Company. Bonuses in 2005 were earned in respect of the 15-month period from 1 April 2004 to 30 June 2005. In future, bonuses will be earned in respect of the 12-month period to 30 June each year. The maximum potential bonus for full achievement of personal and corporate objectives is 50% of salary for the Chief Executive Officer and 30% for other Executive Directors. For exceptional performance the maximum potential bonus for the Chief Executive Officer may be increased to 75% and for the Chief Financial Officer to 60%. Actual bonuses earned by the Executive Directors for the 15-month period to 30 June 2005, expressed as a percentage of basic salary over that period, were 30% for the Chief Executive Officer and 21% for the other Executive Directors, these Directors having achieved between 70% and 80% of set objectives. All Executive Directors invested their entire 2005 bonus, net of tax and social security, in 'Invested Shares' under the Executive Incentive Plan and received a Matching Share Award.





• **Longer term incentives**

(a) **Company Share Option Plan**
Share options are awarded to Executive Directors and other employees of the Group under the Antisoma Company Share Option Plan ('CSOP').

• They may ordinarily be exercised between the third and tenth anniversary of the date of grant subject to the achievement of certain performance conditions set by the Remuneration Committee. Since February 2000, the Group has followed a policy of granting share options to all employees twice per year following the release of the Company's interim and preliminary year-end results. The exercise price for these and subsequent options is the market price of shares at the date of grant and the performance condition requires the share price to have increased by at least 52% over the exercise price. Options granted between February 2000 and December 2001 may be exercised provided that the performance condition is achieved at any time between the third and tenth anniversary of the date of grant. Options granted after January 2002 may be exercised only if the performance condition is achieved on the third anniversary of the date of grant or, failing that, the performance condition may be retested at six-monthly intervals on four further occasions up to and including the fifth anniversary of the date of grant, but in this case the performance condition is raised such that the share price is required to increase by a further 15% per annum over the extra period allowed for each successive test. If the exercise condition is met once during this period then it need not be met again. If the performance condition is not met by the fifth anniversary then the option will lapse.

• The value of shares under option at each grant under the CSOP is limited to a multiple of each individual's salary, being 0.625 for the Chief Executive Officer and 0.125 to 0.5 for other employees. The Management Group and certain additional employees have agreed to reimburse the Company for its liability to employer's National Insurance contributions (NICs), up to the rate prevailing at the date of grant and expected to arise upon the exercise of the options granted to them in April 2002 or subsequently. In consideration for these agreements the Company has granted additional options such that the net gain in value after income tax and NICs on these additional options would match the expected liability for employer's NICs.

• Since the Company's flotation, all CSOP share options have been granted at the market value of the shares at date of grant. The Remuneration Committee believes that the performance conditions outlined above remain challenging.

• The Remuneration Committee has reviewed the CSOP and other elements of the incentive package and intends that any future options granted after September 2005 will not be subject to any retesting and will lapse if the initial performance condition is not met at the end of year three. In future, greater emphasis will be placed upon the use of Matching and Performance Awards under the Executive Incentive Plan established in 2003 (see below) rather than options under the CSOP.

(b) **Executive Incentive Plan**
The Group adopted a long-term incentive and deferred bonus scheme when this was approved by shareholders in November 2003; this is known as the Executive Incentive Plan (the 'Plan', or 'EIP'). A summary of the scheme is set out below:

• Two types of award, Performance Awards and Matching Awards may be made under the Plan. Performance Awards are shares that are delivered to an executive after three years subject to the satisfaction of a pre-agreed performance target (see below) and continued employment. Matching Awards are free shares delivered to executives who invest part of their annual bonus in Company shares ('Invested Shares') subject to continued employment of not less than three years and the meeting of pre-agreed performance targets. Invested Shares will be limited in value to 33% of the executive's salary each year.

• All employees of the Group are eligible to participate at the discretion of the Remuneration Committee.

• An award will normally vest no earlier than the third anniversary of its grant to the extent that the applicable performance condition (see below) has been satisfied, the participant is still employed by the Group and, in the case of Matching Awards, the Invested Shares have been retained. It will then remain capable of exercise for a period of three years.

• The value of Performance Awards granted under the Plan to any employee in any financial year will be limited to one times basic salary. The aggregate of the value of Performance Awards and share options granted under the CSOP (see above) will be limited to 1.5 times basic salary. These limits are subject to adjustment where the employee agrees to meet the employer's National Insurance contributions such that the limits will be increased to the extent necessary to leave the employee financially no better off than if the Company were paying the National Insurance.

• Performance Awards will vest in full after three years provided that the Company's Total Shareholder Return ('TSR') ranks in the upper quartile on the third anniversary of the date of grant compared with a selected list of over twenty other UK-listed biotechnology and pharmaceutical companies to be drawn from the FTSE All Share Pharmaceutical and Biotechnology Index[1]. Where the TSR ranks below median on the third anniversary the performance target will not have been met and the Performance Award will lapse. Where the TSR ranks between median and upper quartile the Performance Award will vest pro-rata between 25% and 100%. There will be no opportunity for retesting.

*[1] The selected list of 24 comparator companies set for the Matching Awards made in July 2005 is: Acambis, Alizyme, Ardana, Ark Therapeutics, Axis-Shield, Cambridge Antibody Technology, CeNeS Pharmaceuticals, Evolutec, Futura Medical, GeneMedix, Goldshield Group, GW Pharmaceuticals, ML Laboratories, NeuTec Pharma, Oxford BioMedica, Phytopharm, Proteome Sciences, Protherics, Provalis, Shire Pharmaceuticals, SkyePharma, VAStox, Vectura and Vernalis.*

- The performance condition for Matching Awards will be similarly linked to the Company's TSR ranked against the same group of biotechnology and pharmaceutical companies. Where the TSR is at least upper quartile then shares equal in number to the Invested Shares will be awarded. Where TSR is below median then no shares will be awarded. Where the TSR falls between median and upper quartile then the number of Matching Award shares will vest pro-rata between 25% and 100% of the number of Invested Shares.

- If the performance condition is achieved after three years the executive can decide to retain the Invested Shares for a fourth or fifth year in which case the number of Matching Award shares may be adjusted upwards, but not downwards, up to a maximum of 150% of the Invested Shares for upper quartile performance at the end of 5 years. This is not viewed as retesting by the Remuneration Committee because if the performance condition is not satisfied after three years the Matching Award lapses. It encourages executives to retain their Invested Shares for at least five years and ensures that the matching reward is only earned for sustained good TSR performance.

- If the Company is acquired then awards under the Plan will only vest at the date of change of control to the extent that the performance condition has been met and where, in the opinion of the Remuneration Committee, the acquiring company does not offer broadly similar replacement awards.

The first Matching Awards were granted on 8 July 2005 in respect of bonuses earned by Executive Directors and certain other employees, net of tax and social security, for the 15-month period ended 30 June 2005 and invested by them in Invested Shares.

The Committee recommended the performance conditions for the CSOP and the EIP to align the interests of Executive Directors and senior employees more closely with those of shareholders and to promote superior performance. It is the intention that the assessment of whether the performance conditions are met will be independently calculated or verified, as appropriate, by NBSC or their successors under the supervision of the Committee.

(c) **Pensions and other benefits**

The Group operates a defined contribution scheme and contributes 12.5% of basic salary to the pension for each member of the Management Group. Other customary benefits including life and permanent health insurance and car allowances are also provided to the Management Group.

**Service contracts**

The service contracts for the three Executive Directors (G Edwards – dated 1 April 1998; R Spencer – dated 1 August 1996; U Ney – dated 23 February 2004):
- are not of a fixed-term duration.
- are subject to 12 months' notice by either party. The Company is entitled to pay a sum in-lieu-of notice equivalent to the basic salary that would have been earned during the notice period by Mr Edwards and Mr Spencer and equivalent to the basic salary plus benefits in the case of Dr Ney.
- are not subject to liquidated damages in the event of termination by the Group. The 12-month notice period and termination provisions reflect the competitive environment for the retention of experienced executives in the biotechnology sector.

No Executive Director held any Non-Executive position with another company. G Edwards is on the board of the Biotechnology Industry Association and derived no compensation from this position.

**Non-Executive Directors**

Remuneration of Non-Executive Directors is determined by the Board and is set at levels which are comparable with those provided by other biotechnology companies of a similar size, taking into account the commitments made by Non-Executives in discharging their duties. Terms of service are specified in letters of appointment. Currently, appointments are for a period of three years, which may be renewed, and are subject to 6 months' notice. Dates of appointment or re-appointment of Non-Executive Directors are for Barry Price, Grahame Cook and Michael Pappas 1 June 2003, for Birgit Norinder 9 December 2003 and for Ann Hacker 2 July 2005. Non-Executive Directors do not have service contracts. Details of compensation paid to Directors and Directors' interests are set out below.



Report of the Board on remuneration continued

**Audited information**

The following information forms the auditable part of the report, except where noted.

**Directors' remuneration**

Full details of Directors' remuneration and grants of share options are set out below:

| | Salary and fees £'000 | Bonuses £'000 | Monetary value of benefits £'000 | 2005 total excluding pensions £'000 | 2005 pensions £'000 | 2004 total excluding pensions £'000 | 2004 pensions £'000 |
|---|---|---|---|---|---|---|---|
| Glyn Edwards[1] | 275 | 105 | 13 | 393 | 34 | 398 | 34 |
| Raymond Spencer[1] | 151 | 40 | 13 | 204 | 19 | 218 | 19 |
| Ursula Ney[1] | 228 | 60 | 13 | 301 | 28 | 84 | 9 |
| Barry Price | 42 | – | – | 42 | – | 42 | – |
| Grahame Cook | 29 | – | – | 29 | – | 29 | – |
| Mark Rogers[2] | 8 | – | – | 8 | – | – | – |
| Michael Pappas | 22 | – | – | 22 | – | 22 | – |
| Ann Hacker | 29 | – | – | 29 | – | 27 | – |
| Birgit Norinder[3] | 24 | – | – | 24 | – | 15 | – |
| James Coombes[4] | – | – | – | – | – | 16 | – |
| | 808 | 205 | 39 | 1,052 | 81 | 851 | 62 |

*[1]Directors' benefits include a car allowance and private health insurance. Bonuses were paid in July 2005 in respect of the 15-month period from 1 April 2004 to 30 June 2005. Only basic salary was pensionable. Each Executive Director elected to receive newly allotted shares in Antisoma plc in lieu of their bonus net of payroll taxes and employee's social security costs. These shares qualified as Invested Shares for the purpose of receiving a Matching Share Award under the Executive Incentive Plan. [2]Mark Rogers was appointed on 2 February 2005 and resigned on 8 June 2005. [3] Birgit Norinder was appointed to the Board on 9 December 2003. [4]James Coombes resigned from the Board on 9 December 2003. His fee was paid to a third party for making available his services.*

**Directors' interests in shares (unaudited)**

The interests of the Directors in the shares of the Company on 30 June 2005, all of which were beneficially held, are set out below.

| (Ordinary shares of 1p each) | 2005 Number | 2004 Number |
|---|---|---|
| Glyn Edwards | 652,127 | 652,127 |
| Raymond Spencer | 235,940 | 235,940 |
| Barry Price | 552,725 | 541,312 |
| Grahame Cook | 274,331 | 258,570 |
| Michael Pappas | 402,262 | 372,769 |

Other than shown in the table above no Director had any interest in the shares of the Company or of other Group companies at 30 June 2005. Note 27 provides details of transactions with Directors.

Three Non-Executive Directors, Barry Price, Grahame Cook and Michael Pappas, elected to take a proportion of their fees in new Antisoma plc 1p ordinary shares. This election commenced on 1 January 2005 and will continue until further notice. (see Note 27). The Directors have agreed not to dispose of their shares for a minimum of one year from the date of allotment.

**Interests in share options**

Details of options held by Directors under the CSOP and EIP are set out on page 20 and 21.

**The Company**
**(ordinary shares of 1p each)**

| Note on performance conditions | At 30 June 2004 | Number of shares under option: Granted in the year | Number of shares under option: (Lapsed) in the year | At 30 June 2005 | Price per share | Date from which excercisable | Expiry* date |
|---|---|---|---|---|---|---|---|
| **Glyn Edwards** | | | | | | | |
| | 648,321 | – | (648,321) | – | – | – | – |
| (i) | 486,241 | – | – | 486,241 | 74p | 17.12.98 | 15.12.08 |
| (iv) | 432,214 | – | – | 432,214 | 42.6p | Note 19i | 09.07.09 |
| (ii) | 170,410 | – | – | 170,410 | £1.009 | Note 19iii | 08.06.10 |
| (ii) | 87,704 | – | – | 87,704 | £1.425 | Note 19iii | 18.09.10 |
| (ii) | 58,981 | – | – | 58,981 | £2.119 | Note 19iii | 12.02.11 |
| (ii) | 289,331 | – | – | 289,331 | 37.5p | Note 19iii | 16.09.11 |
| (iii) | 855,827 | – | – | 855,827 | 20.7p | Note 19iii | 15.04.12 |
| (iii) | 1,452,074 | – | – | 1,452,074 | 12.34p | Note 19iii | 23.09.12 |
| (iii) | 425,006 | – | – | 425,006 | 26.34p | Note 19iii | 20.02.13 |
| (iii) | 418,359 | – | – | 418,359 | 38.17p | Note 19iii | 30.09.13 |
| (iii) | 457,053 | – | – | 457,053 | 43.125p | Note 19iii | 15.02.14 |
| (iii) | – | 359,452 | – | 359,452 | 14p | Note 19iii | 20.09.14 |
| (iii) | – | 868,871 | – | 868,871 | 22.2p | Note 19iii | 20.02.15 |
| | 5,781,521 | 1,228,323 | (648,321) | 6,361,523 | | | |

| Note on performance conditions | At 30 June 2004 | Number of shares under option: Granted in the year | Number of shares under option: (Lapsed) in the year | At 30 June 2005 | Price per share | Date from which excercisable | Expiry* date |
|---|---|---|---|---|---|---|---|
| **Raymond Spencer** | | | | | | | |
| (i) | 216,107 | – | – | 216,107 | 74p | 17.12.98 | 15.12.08 |
| (i) | 129,664 | – | – | 129,664 | 74p | Note 19i | 15.12.08 |
| (iv) | 216,107 | – | – | 216,107 | 42.6p | Note 19i | 09.07.09 |
| (ii) | 87,639 | – | – | 87,639 | £1.009 | Note 19iii | 08.06.10 |
| (ii) | 42,098 | – | – | 42,098 | £1.425 | Note 19iii | 18.09.10 |
| (ii) | 28,309 | – | – | 28,309 | £2.119 | Note 19iii | 12.02.11 |
| (ii) | 124,991 | – | – | 124,991 | 37.5p | Note 19iii | 16.09.11 |
| (iii) | 388,887 | – | – | 388,887 | 20.7p | Note 19iii | 15.04.12 |
| (iii) | 659,822 | – | – | 659,822 | 12.34p | Note 19iii | 22.09.12 |
| (iii) | 193,123 | – | – | 193,123 | 26.34p | Note 19iii | 19.02.13 |
| (iii) | 182,556 | – | – | 182,556 | 38.17p | Note 19iii | 30.09.13 |
| (iii) | 199,441 | – | – | 199,441 | 43.125p | Note 19iii | 15.02.14 |
| (iii) | – | 156,852 | – | 156,852 | 14p | Note 19iii | 20.09.14 |
| (iii) | – | 379,143 | – | 379,143 | 22.2p | Note 19iii | 20.02.15 |
| | 2,468,744 | 535,995 | – | 3,004,739 | | | |
| **Ursula Ney** | | | | | | | |
| (iii) | 1,505,352 | – | – | 1,505,352 | 44.84p | Note 19iii | 22.02.14 |
| (iii) | – | 235,278 | – | 235,278 | 14p | Note 19iii | 20.09.14 |
| (iii) | – | 568,715 | – | 568,715 | 22.2p | Note 19iii | 20.02.15 |
| | 1,505,352 | 803,993 | – | 2,309,345 | | | |

** All remaining share options expire 10 years from date of grant*

**Notes on performance conditions**

*(i) These options were granted on the day prior to the Company's flotation, and exercise of these options is conditional upon the Company's issued ordinary shares being listed or quoted on the London Stock Exchange, the Alternative Investment Market, NASDAQ or EASDAQ or upon a change of control of the Company. This condition has been satisfied. The market price of the Company's shares upon flotation was 35p.*

*(ii) The Company's share price should have risen by at least 52% on or after the third anniversary of the date of grant.*

*(iii) The Company's share price should have risen by at least 52% on the third anniversary of the date of grant or, failing that, by an additional 15% per annum on or before the fifth anniversary of the date of grant as set out on page17.*

*(iv) Conditional upon securing a commercial agreement in respect of the Group's then lead product. This condition was satisfied in October 1999.*





No other Directors have share options in the shares of the Company or other Group companies. No options were excercised by Directors and no options lapsed during the year other than as stated above. All options were granted at nil cost.

**Interests in Matching Share Awards**
Details of Matching Share Awards granted, on 8 July 2005, after the Balance Sheet date to Directors under the Executive Incentive Plan are set out below:

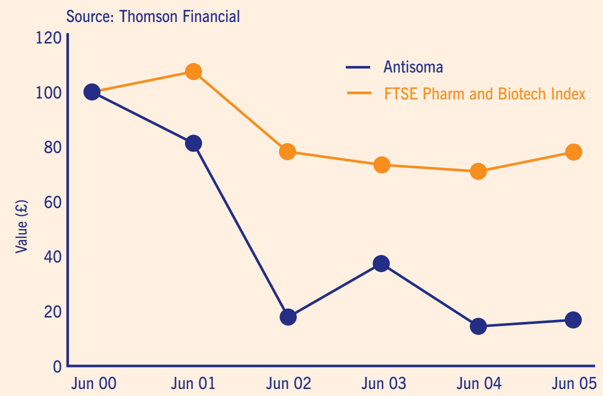
| | Invested shares | Potential Matching Share Award: at July 8 2008 | Potential Matching Share Award: at July 8 2010 |
|---|---|---|---|
| Glyn Edwards | 337,835 | 337,835 | 506,752 |
| Raymond Spencer | 128,143 | 128,143 | 192,214 |
| Ursula Ney | 195,391 | 195,391 | 293,086 |

**Notes**

1. *The Executive Directors each invested their 2005 annual performance incentive bonus, net of tax and social security, in Company shares ('Invested Shares'). The price paid by each Director for their Invested Shares was 18.25p per share, representing the mid-market closing price on 7 July 2005.*
2. *The above Matching Share Awards have an earliest vesting date of 8 July 2008 and an exercise price of 1p per share. The performance condition for these awards compares the TSR to the TSR of a chosen group of pharmaceutical and biotechnology companies over a three-year period. A median ranking must be achieved before any part of the award may vest (25% of the award) and an upper-quartile ranking must be achieved for the award to vest in full.*
3. *Provided that the ranking achieved at the end of year three (8 July 2008) is median or better then the executives may elect to receive their award or retain their Invested Shares for up to two more years with the potential to achieve a higher award at the end of year five (8 July 2010). The maximum award, conditional upon upper quartile ranking at 8 July 2010, is shown in the final column of the table above and represents 150% of the Invested Shares held.*
4. *The executives have agreed to pay any employer's National Insurance contributions due upon exercise of the awards and the number of Matching Shares finally awarded will be adjusted so that the executive will be no worse off than if the Company had paid the National Insurance.*
5. *The awards may be exercised within three years of vesting.*

The market price of the Company's shares at 30 June 2005 was 18.75p (30 June 2004: 17.0p) on the London Stock Exchange and the range of market prices during the year was between 12.54p and 25.75p on the LSE.

**Total shareholder return (unaudited)**
Total shareholder return looks at the value of £100 invested in Antisoma plc on 30 June 2000 over the period to 30 June 2005 compared with £100 invested in the FTSE All Share Pharmaceutical and Biotechnology Index, which the Directors believe provides the most appropriate comparison of the return to shareholders of Antisoma plc with the return represented by an index of other companies in its sector.




This report has been approved by the Board and signed on its behalf by

Ann Hacker

**Ann Hacker**
Chairman of the Remuneration Committee,
13 September 2005

# Corporate governance

The Group seeks to follow best practice in corporate governance and, other than the formation of a Nomination Committee, has complied throughout the year with the best-practice provisions of the new Combined Code on Corporate Governance, published in July 2003 and appended to the Listing Rules of the Financial Services Authority (the 'Combined Code'). This report together with the Report of the Board on remuneration sets out the manner in which the Group has applied the principles contained in the Combined Code.

**Board of Directors**
Responsibilities of the Board include setting the Group's strategic aims and objectives, helping to ensure that the necessary resources are available for their achievement, approval of operating plans, budgets and forecasts and the review of the performance of the business against objectives, approval of acquisitions, other major business matters and policies, review and approval of reporting to shareholders, reviewing performance of management and ensuring the maintenance of internal controls to assess and manage financial and operational risks. Additionally the Board reserves for itself matters concerning Board and other senior executive appointments.

The Directors bring a range of relevant expertise and experience to the Board. As at 30 June 2005, the Board of Directors comprised: a Non-Executive Chairman, Barry Price; four additional Non-Executive Directors, Grahame Cook, Ann Hacker, Birgit Norinder and Michael Pappas, of whom the first three are regarded as independent; and three Executive Directors, Glyn Edwards, Raymond Spencer and Ursula Ney. Mark Rogers, who was the Chairman of Aptamera, Inc., joined the Board as a Non-Executive Director following the acquisition of Aptamera, Inc. and resigned on 8 June 2005. All Non-Executive Directors bring an independent judgement to Board deliberations and decisions. As noted on page 19, Barry Price has a beneficial interest in 552,725 shares and Grahame Cook has a beneficial interest in 274,331 shares. In the opinion of the Board these shareholdings do not impair their independent status. As stated on page 43 Michael Pappas has a relationship with Leventis A/S, which has been a major shareholder of the Company since its foundation. The Board does not consider this impairs his independence of character or judgement. Biographical details of Directors are provided on pages 10 and 11.

The current Senior Independent Non-Executive Director is Grahame Cook.

All Directors have direct access to the services and advice of the Company Secretary, who is also the Chief Financial Officer. The Company Secretary is responsible for ensuring compliance with relevant procedures, rules and regulations. The Board as a whole determines the appointment and removal of the Company Secretary. Due to its relatively small size, the Board does not feel that it is necessary to have the roles of Company Secretary and Chief Financial Officer separated. Directors may, at the Company's expense, seek independent legal advice on any matter relating to the discharge of their duties.

There were nine scheduled Board meetings during the year, which were fully attended. Appropriate information for the business to be conducted is provided in advance of Board meetings. The Directors may make further enquiries, as they deem appropriate. The Chairman additionally holds meetings with the Non-Executive Directors without the Executive Directors.

New Non-Executives receive an introduction to the business, meeting with senior executives for detailed discussions on the activities of the Group. Relevant training seminars have been attended by various Board members to assist in their further professional development.

The Board has evaluated its own performance and that of its Audit and Remuneration Committees on a broad range of issues including structure, functionality and meeting of objectives, conduct of meetings, corporate governance and relationships with shareholders. The results of these evaluations have been discussed and the Senior Non-Executive Director has been charged with responsibility for implementing any recommendations for change. The Non-Executive Directors, led by the Senior Independent Director, are responsible for performance evaluation of the Chairman, taking into account the views of Executive Directors. The performance of the Chief Executive is reviewed by the Chairman and discussed with the Remuneration Committee by reference to achievement of individual and Company objectives. The performance of other Executive Directors is reviewed and monitored by the Chief Executive and discussed with the Chairman and Remuneration Committee. It is the Board's intention to conduct these reviews on an annual basis.

The Board delegates certain other responsibilities to committees, details of which are set out below. The terms of reference for the Audit and Remuneration Committees may be found on the Company's website at www.antisoma.com.



# Corporate governance continued

**Board committees**
The Executive Board is responsible for the implementation of strategy and has day-to-day responsibility for managing the Group. It is chaired by Glyn Edwards and comprises the Executive Directors of the Company.

The Audit Committee is chaired by Grahame Cook. Birgit Norinder and Ann Hacker were also members during the year. The terms of reference for the Audit Committee are disclosed on the Company's website and include responsibility for monitoring the integrity and compliance of the financial statements, for reviewing significant financial judgements contained therein and for ensuring that arrangements for the independent audit of the annual report and accounts and review of interim financial statements are appropriate and effective. The Audit Committee also reviews the internal financial control systems, treasury management procedures and controls and, together with the Board, risk management systems. The Audit Committee met three times during the year, with the Company's external auditors and the Chief Financial Officer attending as appropriate. Birgit Norinder was unable to attend one of these meetings, which were otherwise fully attended. The Audit Committee conducted a self-assessment of its performance in 2004 by reference to an evaluation checklist obtained from the Audit Committee Institute. The Chair of the Audit Committee is nominated as the person to whom any financial or other matters of impropriety ('whistle-blowing') may be reported. The Audit Committee reviews and approves the engagement letters and scope for every piece of work carried out by the auditors, and is satisfied with the audit company's statement regarding compliance and conflicts of interest. The Audit Committee is satisfied that the nature and extent of non-audit services does not impair auditor objectivity or independence. Details of the amounts paid to the external auditors during the year for audit and non-audit services are set out in the Notes to the financial statements on page 33.

The Remuneration Committee makes recommendations to the Board regarding the compensation policy and strategy for the Group as a whole and specifically for Executive Directors and senior management. It is also responsible for the grant of options under the Company Share Option Plan and Executive Incentive Plan. It is composed entirely of independent Non-Executive Directors and chaired by Ann Hacker. Grahame Cook and Birgit Norinder were also members during the year. The terms of reference for the Remuneration Committee are set out on the Company's website. The Report of the Board on remuneration is set out on pages 16 to 21. The Remuneration Committee met four times during the past year. Birgit Norinder was unable to attend one of the meetings, which were otherwise fully attended.

The Board considers that, because of its small size, it is not appropriate to have a separate Nominations Committee and reserves for itself responsibility for the appointment of new directors under the leadership of the Non-Executive Chairman. The Chairman receives nominations for new directors and then makes recommendations to the Board, applying objective criteria to selection of Board candidates to ensure that new members bring a balance of skills and experience. All Board members provide input to the process for any appointment. Where appropriate, candidates are selected using external search consultants. The Board believes that these procedures are formal, rigorous, transparent and inclusive and comply with the principles of the Combined Code.

**Relationship with shareholders**
The Company is committed to maintaining good relations with its shareholders through the provision of financial updates, interim and annual reports, press releases, presentations at conferences, through its website www.antisoma.com and through meeting with shareholders in general meetings. Individual meetings between Executive Directors and significant institutional shareholders are also arranged. The Company received the 'Best Communication' award at the 2005 TechMARK Mediscience Awards.

The Board takes steps to ensure that its members develop an understanding of the views of major shareholders. This is achieved through feedback from meetings between management and significant shareholders, feedback from the Company's brokers and financial advisors, analysts' notes and results of perception surveys of both shareholder and analyst opinion. Non-Executive Directors have also had direct contact with shareholders in the last year. All independent Non-Executive Directors together with the Chairman of the Board and the Executive Directors meet with shareholders at the AGM. Shareholders are invited to ask questions and to meet with Directors after the formal proceedings have ended. The Senior Independent Non-Executive Director is available to shareholders if contact through the normal channels is inappropriate or has failed to resolve concerns.

The Board has overall responsibility for ensuring that the Group maintains adequate systems of internal control. Such systems are designed to manage rather than eliminate risks and therefore can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established a formal process which accords with the Turnbull guidance for identifying and evaluating the significant risks faced by the Group and carries out a comprehensive risk assessment at least annually. The Board regularly reviews the system of internal controls and the effectiveness of risk identification and evaluation, updating the risk assessment as appropriate. This review process has been in place throughout the year up to the date of approval of the Annual Report and Accounts and covers risk management and controls of financial, operational and regulatory matters. The Group has reviewed its internal financial controls and also carried out operational risk assessments and reviewed insurance provisions. On the recommendation of the Audit Committee, taking into account the close involvement of the Chief Financial Officer and other Executive Directors in the management and supervision of the Group's financial affairs and the Group's relatively small size, the Board does not consider it appropriate to have an internal audit function.

# Corporate governance continued

**The BioIndustry Association ('BIA') Code of Best Practice**
The UK BioIndustry Association, of which Antisoma is a member, published a code in 2000 to establish principles of best practice for information communication and management amongst its members. The principles support and extend the Company's duty to publish and communicate information in a fair, equal and balanced manner. The Board is committed to providing quality dialogue with investors and other interested parties and confirms that the Group has complied with the Code for the year under review.

**Going concern**
As at 30 June 2005 the Group had cash and liquid resources of approximately £25 million. The Directors have a reasonable expectation that the Group has adequate cash resources to continue to meet the requirements of the business for at least the next 12 months and have therefore adopted the going concern basis in preparing the financial statements.

**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 the Group and of the profit or loss of the Group for that year. The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group 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 30 June 2005 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 the Group and enable them to ensure that the financial statements, which have been prepared in accordance with UK GAAP, comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Information published on the internet is accessible in many different countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

R Spencer

**Raymond Spencer**
Company Secretary



# Independent auditors' report to the members of Antisoma plc

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and Company balance sheets, the consolidated cash flow statement and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' remuneration report ('the auditable part').

**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. The Directors are also responsible for preparing the Directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' remuneration report 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 whether the financial statements and the auditable part of the Directors' remuneration report have been 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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Joint Chief Executive and Chairman's statement, the Financial review, the Directors' report, the Corporate social responsibility review, the unauditable part of the Report of the Board on remuneration, the Corporate governance statement, and the sections entitled 'Highlights of 2004/2005', 'Antisoma at a glance' and 'Overview of operations'.

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or their risk and control procedures.

**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 and the auditable part of the Directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 and the auditable part of the Directors' remuneration report 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 affairs of the Company and the Group at 30 June 2005 and of the loss and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

**PricewaterhouseCoopers LLP**
Chartered Accountants and Registered Auditors
West London
20 September 2005

# Consolidated profit and loss account

for the year ended 30 June 2005

| | Notes | 2005 £'000 | 2004 £'000 |
|---|---|---|---|
| Revenue | 2 | 6,268 | 18,118 |
| Operating expenses | 3 | (17,385) | (21,244) |
| **Operating loss** | | (11,117) | (3,126) |
| Interest receivable | | 1,505 | 1,340 |
| **Loss on ordinary activities before taxation** | | (9,612) | (1,786) |
| Taxation on loss on ordinary activities | 7 | 2,477 | 1,178 |
| **Loss on ordinary activities after taxation and retained loss for the year** | 20 | (7,135) | (608) |
| Loss per 1p share | | | |
| Basic and diluted | 9 | 2.44p | 0.25p |

All activities relate to continuing operations. The post-acquisition results of Aptamera, Inc., are not separately identifiable or material to the Group.

## Consolidated statement of total recognised gains and losses

for the year ended 30 June 2005

| | Notes | 2005 £'000 | 2004 £'000 |
|---|---|---|---|
| Loss for the financial year | | (7,135) | (608) |
| **Currency translation differences on foreign currency net investments** | 20 | (6) | – |
| Total recognised gains and losses relating to the year | | (7,141) | (608) |



# Consolidated balance sheet

as at 30 June 2005

| | Notes | 2005 £'000 | 2004 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 10 | 16,206 | – |
| Tangible assets | 11 | 979 | 1,280 |
| | | 17,185 | 1,280 |
| **Current assets** | | | |
| Debtors | 13 | 2,666 | 2,167 |
| Short-term deposits | 16 | 23,937 | 22,381 |
| Cash at bank and in hand | 16 | 1,108 | 16,452 |
| | | 27,711 | 41,000 |
| **Creditors:** amounts falling due within one year | 14 | (5,705) | (10,291) |
| **Net current assets** | | 22,006 | 30,709 |
| **Total assets less current liabilities** | | 39,191 | 31,989 |
| **Creditors:** amounts falling due after more than one year | 15 | (886) | (2,485) |
| **Provisions for liabilities and charges** | 17 | (29) | (12) |
| **Net assets** | | 38,276 | 29,492 |
| **Capital and reserves** | | | |
| Called up share capital | 18 | 7,659 | 6,993 |
| Share premium account | 20 | 84,942 | 69,683 |
| Other reserves | 20 | 4,300 | 4,300 |
| Profit and loss account | 20 | (58,625) | (51,484) |
| **Total shareholders' funds** | | 38,276 | 29,492 |
| **Shareholders' funds analysed as:** | | | |
| Equity shareholders' funds | | 33,944 | 25,160 |
| Non-equity shareholders' funds | 18 | 4,332 | 4,332 |
| | | 38,276 | 29,492 |

The financial statements, comprising the Consolidated profit and loss account, Consolidated statement of total recognised gains and losses, Consolidated and Company balance sheets, Consolidated cash flow statement and related notes, were approved by the Board of Directors on 13 September 2005 and were signed on its behalf by:

**Barry Price**
Director

# Company balance sheet

as at 30 June 2005

| | Notes | 2005 £'000 | 2004 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 12 | 18,010 | 1,346 |
| **Current assets** | | | |
| Debtors: | | | |
| amounts falling due within one year | 13 | 7 | 7 |
| amounts falling due after more than one year | 13 | 77,672 | 77,320 |
| | | 77,679 | 77,327 |
| **Creditors:** amounts falling due within one year | 14 | (166) | (28) |
| **Net current assets** | | 77,513 | 77,299 |
| **Net assets** | | 95,523 | 78,645 |
| **Capital and reserves** | | | |
| Called up share capital | 18 | 7,659 | 6,993 |
| Share premium account | 20 | 84,942 | 69,683 |
| Merger reserve | 20 | 342 | 342 |
| Profit and loss account | 20 | 2,580 | 1,627 |
| **Total shareholders' funds** | | 95,523 | 78,645 |
| **Shareholders' funds analysed as:** | | | |
| Equity shareholders' fund | | 91,191 | 74,313 |
| Non-equity shareholders' funds | 18 | 4,332 | 4,332 |
| | | 95,523 | 78,645 |

The financial statements, comprising the Consolidated profit and loss account, Consolidated statement of total recognised gains and losses, Consolidated and Company balance sheets, Consolidated cash flow statement and related notes, were approved by the Board of Directors on 13 September 2005 and were signed on its behalf by:

**Barry Price**
Director



# Consolidated cash flow statement

for the year ended 30 June 2005

| | Notes | 2005 £'000 | 2004 £'000 |
|---|---|---|---|
| **Net cash outflow from operating activities** | 24 | (15,347) | (9,616) |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | 1,561 | 1,318 |
| **Net cash inflow from taxation** | | 877 | 1,178 |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | | (130) | (1,458) |
| Sale of tangible fixed assets | | – | 2 |
| Purchase of intangible fixed assets | | – | (697) |
| **Net cash outflow for capital expenditure and financial investment** | | (130) | (2,153) |
| **Acquisitions** | | | |
| Cash at bank and in hand acquired with subsidiaries | | 1 | – |
| Acquisition expenses | | (704) | – |
| **Net cash outflow from acquisitions** | | (703) | – |
| **Net cash outflow before management of liquid resources and financing** | | (13,742) | (9,273) |
| **Management of liquid resources** | | | |
| (Purchase)/sale of current asset investments | 25 | (1,556) | 9,473 |
| **Financing** | | | |
| Issue of shares | | – | 15,204 |
| Expenses paid in connection with share issues | | (46) | (1,093) |
| | | (46) | 14,111 |
| **(Decrease)/increase in cash** | 25 | (15,344) | 14,311 |

**Major non-cash transactions**

a) During the year the Group recognised a research and development tax credit receivable of £1,600,000 in respect of applicable project costs incurred in the year ended 30 June 2005.
b) The consideration for the purchase of Aptamera, Inc. comprised wholly of ordinary shares. Further details of the acquisition are set out in note 29.

# Notes to the financial statements

for the year ended 30 June 2005

## 1. Principal accounting policies

### Basis of accounting

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been reviewed by the Board of Directors in accordance with Financial Reporting Standard ('FRS') 18 'Accounting policies' and have been applied consistently, is set out below.

The financial statements are prepared in accordance with the historical cost convention.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings. The financial statements of Antisoma Research Limited have been consolidated using the principles of merger accounting. All other subsidiaries have been consolidated using the principles of acquisition accounting.

The results of all other subsidiaries are included in the consolidated profit and loss account from the date that they are acquired. On acquisition, all of the subsidiaries' assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Intra-group transactions, profits and balances are eliminated in full on consolidation.

Investments in subsidiaries are carried at the lower of cost or valuation in the Company's individual financial statements.

### Investments

In the Company's accounts, investments in subsidiary undertakings are stated either at the fair value of consideration given, where the subsidiary is consolidated using acquisition accounting, or at the nominal value of the shares issued, where merger accounting is used. Provision is made for any permanent diminution in the value of these investments. Other fixed-asset investments are stated at cost less any provision for diminution in value. Current asset investments are stated at the lower of cost plus accrued interest or net realisable value.

### Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the identifiable net assets acquired. Goodwill arising from the purchase of subsidiary undertakings is capitalised as an intangible fixed asset and amortised on a straight line basis over the estimated useful economic life.

Goodwill in respect of the acquisition of Aptamera, Inc. is being amortised over 15 years from the date of acquisition, which the Directors estimate represents its useful economic life.

Goodwill previously written off to reserves has not been reinstated on the balance sheet as permitted by FRS 10 and as detailed in note 20.

### Intangible fixed assets

Intangible fixed assets other than goodwill, which comprise licences and product rights, are stated at cost less a provision for amortisation. Amortisation is calculated to write off the cost of intangible assets in equal annual instalments over the lower of their legal and estimated useful lives but no longer than 20 years. The carrying values of intangible assets are subject to review when appropriate and any impairment is charged to the profit and loss account. Where a product is at a relatively early stage of development the full cost of the licences or rights purchased are written off in the year of purchase.

### Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, over their expected useful lives.
It is calculated at the following rates:

| | |
|---|---|
| Office equipment | 15% per annum |
| Computers – office and laboratory | 33% per annum |
| Office fixtures and fittings | 33% per annum |
| Laboratory fixtures and fittings | 20% per annum |
| Laboratory equipment – owned | 20% per annum |
| Laboratory equipment – leased | 20% per annum |

### Short-term deposits

Bank deposits, which are not repayable on demand, are treated as short-term deposits in accordance with FRS 1 'Cash flow statements'. Movements in such deposits are included under 'Management of liquid resources' in the Group's cash flow statement.





## 1. Principal accounting policies continued

### Deferred taxation

Provision is made for deferred taxation in accordance with FRS 19 'Deferred Tax' on all material timing differences between results as stated in the financial statements and as computed for taxation purposes. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

### Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements that transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. The Group ensures that such leases include an option to purchase the asset at the end of the lease term and so assets held under finance leases are depreciated over the useful lives of equivalent owned assets.

### Revenue

Revenue, which excludes value added tax, represents the value of goods and services supplied.

Amounts received or receivable under research and development contracts and collaborative research agreements are recognised as revenue in the period in which the related costs are incurred. Amounts received or receivable in respect of milestone payments are recognised as revenue when the specific conditions stipulated in the licence agreements have been satisfied or are recognised over the period to completion of the relevant phase of development, which is consistent with the principle that revenue is recognised in accordance with the Group's performance under the relevant contract. Amounts receivable as option fees to access the Group's intellectual property are spread over the option period.

Revenue arising from collaborative agreements consisting of multiple elements is allocated to those elements in accordance with contractual terms, which are indicative of the fair values of the individual elements.

Amounts received under development agreements represent contributions to the Group's development programmes and are recognised as revenue in the period over which the related costs are incurred. All costs relating to these development programmes are recorded as research and development expenditure. As revenue represents contributions towards costs incurred, no amounts have been allocated to costs of sales.

### Research and development expenditure

Research and development expenditure is written off to the profit and loss account as it is incurred.

### Financial instruments

Forward exchange contracts are revalued to balance sheet rates with net unrealised gains and losses being shown as part of debtors or creditors. The premium or discount on these contracts (that is, the difference between spot and forward rate) is recognised as part of interest payable or receivable over the term of the contract, if material.

### Foreign currency

Transactions denominated in foreign currencies have been translated into Sterling at actual rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at rates ruling at the balance sheet date. Exchange differences have been included in operating loss.

The results of the subsidiaries who operate in currencies other than Sterling are translated using the closing rate/net investment method to enable consolidation in the Group financial statements. Exchange differences arising from the retranslation of the results and opening assets of the subsidiary are taken to reserves.

### Pension costs

Retirement benefits to employees and Directors are provided by defined contribution pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. Contributions made by the Group are charged to the profit and loss account in the year to which they relate.

### Employee share schemes

In accordance with the provisions of UITF Abstract 25 'National Insurance Contributions On Share Option Gains' the Group makes charges to the profit and loss account for the potential employer's National Insurance liability on options granted, spread over the vesting period of those options, to the extent that this liability is not offset by amounts recoverable from those to whom the options have been granted.

## 2. Segmental information

The Directors are of the opinion that the Group has only one class of business.
All revenue is derived from activities within the EU.

## 3. Operating expenses

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Administrative expenses | 4,926 | 4,660 |
| Research and development costs | 12,459 | 16,584 |
| Total operating expenses | 17,385 | 21,244 |

## 4. Directors' emoluments

Directors' emoluments receivable by Directors of Antisoma plc from Antisoma Group companies are as follows:

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Aggregate emoluments:** | | |
| Emoluments and benefits | 1,052 | 835 |
| Pension contributions | 81 | 62 |
| Sums paid to third parties for Directors' services | – | 16 |
| **Highest-paid Director:** | | |
| Emoluments and benefits | 393 | 398 |
| Pension contributions | 34 | 34 |

The three Executive Directors have retirement benefits accruing to them through defined contribution schemes, in respect of qualifying services.

Detailed information concerning Directors' remuneration and interests in share options is set out in the report of the Board on remuneration on pages 16 to 21.

## 5. Employee information

The average monthly number of persons (including Executive Directors) employed by the Group during the year was:

| | 2005 Number | 2004 Number |
|---|---|---|
| **By activity** | | |
| Administration, research and development | 62 | 58 |

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Staff costs (for the above persons):** | | |
| Wages and salaries | 4,205 | 4,171 |
| Social security costs | 501 | 491 |
| Other pension costs (see Note 28) | 337 | 287 |
| | 5,043 | 4,949 |





## 6. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Auditors' remuneration: | | |
| Audit services (Company 2005: £3,500; 2004: £3,500) | | |
| statutory audit | 41 | 39 |
| audit-related regulatory reporting | 6 | 13 |
| Further assurance services | 5 | 65 |
| Tax services | | |
| compliance services | 8 | 8 |
| advisory services | 3 | 2 |
| Amortisation of goodwill | 463 | – |
| Amortisation of other intangible assets | – | 697 |
| Depreciation: | | |
| Tangible owned fixed assets | 435 | 440 |
| Assets held under finance leases | – | – |
| Hire of plant and machinery – operating leases | 3 | 3 |
| Hire of other assets – operating leases | 463 | 427 |
| Net foreign exchange differences | 50 | (19) |

Non-audit fees of £185,000 (2004: £193,000) charged by the Company's auditors and relating to the acquisition of Aptamera, Inc. and their role as reporting accountants (2004: in relation to their role as reporting accountants) are included within the cost of acquisition of Aptamera, Inc. or offset in the share premium account as appropriate (2004: offset in the share premium account).

## 7. Taxation

No corporation tax liability arises on the results for the year due to the loss incurred. The tax credit of £2,477,000 (2004: £1,178,000) relates to the UK Research and Development tax credit claim in respect of 2004 and 2005.

At 30 June 2005, the Group had tax losses available for carry forward in excess of £46 million (2004: £44 million) subject to agreement with the Inland Revenue.

The tax assessed for the period is different from that assessed at the standard rate of corporation tax in the UK of 30%. The differences are explained below:

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Loss on ordinary activities before taxation | (9,612) | (1,786) |
| Loss on ordinary activities multiplied by the standard rate of UK corporation tax at 16% (2004: 30%) | (1,538) | (536) |
| Effects of: | | |
| Capital allowances in excess of depreciation | 34 | (351) |
| Expenses not deductible for tax purposes | (373) | 16 |
| Current year movement in losses carried forward | 277 | 871 |
| Research and development tax credit received | – | (1,178) |
| Prior year tax credit | (877) | – |
| **Current tax credit for the period** | (2,477) | (1,178) |

At 30 June 2005, the Group determined that it would apply for research and development tax credits in respect of the financial year then ended. At the previous year end, the Group was continuing to evaluate whether it would apply for research and development tax credits or whether it would allow these research and development costs to be utilised against future taxable profits. The table above therefore reconciles the loss before taxation to the tax credit on ordinary activities at the UK statutory rate of 30% for 2004 and at the rate at which research and development tax credits are recoverable, being 16%, in 2005.

## 8. Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the parent Company's profit and loss account has not been included in these financial statements.

The parent Company's result for the financial year was a profit of £953,000 (2004: £988,000).

### 9. Loss per share
Basic and diluted loss per share are calculated by dividing the loss after taxation of £7,135,000 (2004: £608,000) by the weighted average number of ordinary shares in issue during the year of 292,912,179 (2004: 247,848,333).

The Company has no dilutive potential ordinary shares in issue because it is loss making.

### 10. Intangible fixed assets

| Group | Goodwill £'000 | Intellectual property £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 July 2004 | – | 1,488 | 1,488 |
| Additions | 16,669 | – | 16,669 |
| **At 30 June 2005** | **16,669** | **1,488** | **18,157** |
| **Aggregate amortisation** | | | |
| At 1 July 2004 | – | 1,488 | 1,488 |
| Charge for the year | 463 | – | 463 |
| **At 30 June 2005** | **463** | **1,488** | **1,951** |
| **Net book value** | | | |
| **At 30 June 2005** | **16,206** | **–** | **16,206** |
| At 30 June 2004 | – | – | – |

**Company**
The Company has no intangible fixed assets.

### 11. Tangible fixed assets

| | Office computers, equipment, fixtures & fittings (owned) £'000 | Computers, laboratory equipment (leased) £'000 | Laboratory computers, equipment, fixtures & fittings (owned) £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 July 2004 | 813 | 161 | 1,758 | 2,732 |
| Additions | 40 | – | 90 | 130 |
| Acquired assets | – | – | 4 | 4 |
| Disposals | (6) | – | (3) | (9) |
| **At 30 June 2005** | **847** | **161** | **1,849** | **2,857** |
| **Depreciation** | | | | |
| At 1 July 2004 | 500 | 161 | 791 | 1,452 |
| Charge for year | 157 | – | 278 | 435 |
| Disposals | (6) | – | (3) | (9) |
| **At 30 June 2005** | **651** | **161** | **1,066** | **1,878** |
| **Net book value** | | | | |
| **At 30 June 2005** | **196** | **–** | **783** | **979** |
| At 30 June 2004 | 313 | – | 967 | 1,280 |

Those assets which are classified as leased assets are on secondary leases for which a peppercorn rent is paid.

**Company**
The Company has no tangible fixed assets.





### 12. Investments

| Company | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Cost and valuation of interests in Group undertakings** | | |
| At start of period | 1,346 | 1,346 |
| Acquisitions | 16,664 | – |
| **At end of period** | **18,010** | 1,346 |

**Interests in Group undertakings**

| Name of undertaking | Country of incorporation | Description of shares held | Proportion of nominal value of issued shares held by the Group % |
|---|---|---|---|
| Antisoma Research Limited | Great Britain | 1p 'A' ordinary and £1 redeemable preference | 100 |
| Spring Fall Limited | Great Britain | 1p ordinary | 100 |
| Cancer Therapeutics Limited | Great Britain | £1 'A' ordinary and 25p 'B' ordinary | 100 |
| Aptamera, Inc. | United States of America | $0.001 common stock | 100 |

The principal business activities of these subsidiary undertakings are:
- Antisoma Research Limited – development and commercialisation of potential therapeutic products for the treatment of cancer;
- Cancer Therapeutics Limited – dormant;
- Spring Fall Limited – dormant; and
- Aptamera, Inc. – development and commercialisation of potential therapeutic products for the treatment of cancer.

### 13. Debtors

| Group | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade debtors | 82 | – |
| Other debtors | 404 | 286 |
| Prepayments and accrued income | 580 | 1,881 |
| Corporation tax credit receivable | 1,600 | – |
| | **2,666** | 2,167 |

| Company | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Prepayments and accrued income | 7 | 7 |
| **Amounts falling due after more than one year:** | | |
| Amounts owed by Group undertakings | 77,672 | 77,320 |

There are no fixed repayment terms in respect of the amounts owed by Group undertakings, which represent the funding of ongoing research and development requirements.

### 14. Creditors: amounts falling due within one year

| Group | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Trade creditors | 2,121 | 1,337 |
| Other taxation and social security | 169 | 330 |
| Accruals | 1,785 | 2,707 |
| Deferred income | 1,630 | 5,917 |
| | 5,705 | 10,291 |

| Company | | |
|---|---|---|
| Accruals | 166 | 28 |

### 15. Creditors: amounts falling due after more than one year

| Group | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Deferred income | 886 | 2,485 |

**Company**
The Company has no creditors falling due after more than one year.

### 16. Financial instruments

The financial risks faced by the Group include interest rate risk, credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks. Where appropriate, the Group uses derivative financial instruments to reduce exposure to foreign exchange risk; it does not use derivative financial instruments for trading purposes.

The Group's main objectives in using financial instruments are the maximisation of returns from funds held on deposit and, when appropriate, the generation of additional cash resources through financing arrangements for capital assets and the issue of shares. The Group also considers whether to use forward contracts in order to manage the cash flow risk associated with foreign currency revenues and purchases.

The Group's policy is to raise cash in advance of when it is required and when market conditions are appropriate, using those financial instruments that can be negotiated with the providers of finance at that time.

The Group's results and liquidity are affected by fluctuations in foreign currency exchange rates principally in respect of the US dollar and the Euro. The main foreign currencies in which the Group has transactions are US dollars or Euros. The Group's income in 2005 was in Sterling. The Group has maintained a balance of US dollars in order to meet certain anticipated liabilities to suppliers requesting payments in US dollars. The Group has sold and purchased US dollars at the spot rates to maintain this balance as appropriate. The Directors will monitor the Group's exposure to foreign currencies in the future and enter into forward contracts as it is deemed appropriate.

At the current time, the net assets of overseas subsidiaries are not considered material to the Group, and the Group has not sought to hedge its net investments in overseas operations.

The balance sheet position at the year-end is not representative of the position throughout the year, as cash and short-term investments fluctuate considerably depending on when fund-raising activities or commercial transactions have occurred.

Short-term debtors and creditors have been excluded from all the following disclosures, other than currency risk disclosures.





### 16. Financial instruments continued

**Interest rate risk profile of the Group's financial liabilities**

No interest is payable on the Group's Provision for National Insurance on share options.

Other than short-term liabilities that have been excluded, the Group has no liabilities that are exposed to interest rate risk.

The maturity profile of the Group's financial liabilities is shown in note 17.

**Interest rate risk profile of the Group's financial assets**

| | Cash at bank and in hand 2005 £'000 | Short-term deposits 2005 £'000 | Cash at bank and in hand 2004 £'000 | Short-term deposits 2004 £'000 |
|---|---|---|---|---|
| Sterling | 848 | 23,937 | 15,788 | 22,381 |
| US dollars | 260 | – | 664 | – |
| | 1,108 | 23,937 | 16,452 | 22,381 |
| Floating rate | 1,108 | 5,287 | 16,452 | 7,881 |
| Fixed rate | – | 18,650 | – | 14,500 |
| | 1,108 | 23,937 | 16,452 | 22,381 |

The fixed rate short-term deposits in Sterling and US dollars were placed with banks for between one week and 12 months and earned interest of between 3.71% and 5.38% in the year ended 30 June 2005. Floating rate cash earns interest based on relevant national LIBID equivalents.

**Currency risk profile**
The Group's functional currency is Sterling, and the majority of its transactions are denominated in that currency. At 30 June 2005, the Group had net foreign currency assets/(liabilities) of £9,000 (2004: £(307,000)) in US dollars and liabilities of (£31,000) (2004: £(990,000)) in Euros and £(77,000) (2004 £(45,000)) in other currencies.

**Borrowing facilities**
The Group had no unused borrowing facilities at 30 June 2005 or 30 June 2004.

**Fair values**
The preference shares described in note 18 are not traded on an organised market. Nevertheless, the Directors are of the opinion that the fair value of the preference shares approximates to book value.

In the opinion of the Directors, there is no material difference between the fair value of cash and short-term investments and the carrying values referred to above. Carrying values approximate to fair values because of the short maturity period of these financial instruments.

The fair value of provisions for liabilities and charges (see Note 17) at 30 June 2005 is £29,000 (2004: £12,000) as this is the amount which would be payable if the liability had crystallised at the balance sheet date.

### 17. Provisions for liabilities and charges

**Group**

Provision for employer's National Insurance on share option gains.

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| At start of period | 12 | 70 |
| Charged/(credited) to profit and loss account | 17 | (58) |
| **At end of period** | 29 | 12 |

£27,000 (2004: nil) of the above provision may be payable within one year as the options to which it relates will vest within the next 12 months and the balance of £2,000 (2004: £12,000) will therefore fall due outside of one year. The provision is offset by an amount of £29,000 (2004: £12,000) receivable from employees as reimbursement of employer's National Insurance arising on share options issued on or after 6 April 1999 with a net charge to the profit and loss account of £nil (2004: £nil).

**Deferred taxation**

No provision for deferred taxation has been made as it is probable that no liability will arise in the foreseeable future due to the availability of tax losses. No deferred tax assets have been recognised as there is insufficient certainty of future taxable profits. The amount unprovided of the total potential liability/(asset) is as follows:

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Tax effect of timing differences: | | |
| Excess of capital allowances over depreciation | 207 | 270 |
| Other short-term timing differences | (349) | – |
| Losses carried forward | (14,167) | (13,781) |
| | (14,309) | (13,511) |

**Company**

The Company has no provisions for liabilities and charges.





### 18. Called up share capital

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Authorised** | | |
| 492,663,100 (2004: 380,656,500) ordinary shares of 1p each | 4,927 | 3,807 |
| 5,000,000 (2004: 5,000,000) preference shares of £1 each | 5,000 | 5,000 |
| | 9,927 | 8,807 |
| **Issued, allotted, called up and fully paid** | | |
| 332,747,317 (2004: 266,076,589) ordinary shares of 1p each | 3,327 | 2,661 |
| 4,331,683 (2004: 4,331,683) preference shares of £1 each | 4,332 | 4,332 |
| | 7,659 | 6,993 |

On 28 April 2005 the shareholders approved an increase to the Company's authorised share capital of 112,006,600 ordinary shares of 1p each.

On 4 February 2005 the Company issued 66,500,041 new ordinary shares of 1p each as consideration for the acquisition of Aptamera, Inc. at a price of 24p per share.

On 1 March 2005, the Company issued 131,285 new ordinary shares of 1p each on exercise of employee share options.

On 4 April 2005, the Company issued 39,402 new ordinary shares of 1p each as payment of Directors' fees in shares at a price of 23p per share.

The zero coupon convertible redeemable preference shares of £1 each have the following principal terms attached:

- no rights to receive dividends or other distributions out of the profits of the Company;
- on winding up, the preference shareholders rank above ordinary shareholders in payment of a sum equal to the nominal capital paid up but have no rights to participate further in the assets of the Company;
- no rights to receive notice of or attend or vote at any general meeting of shareholders;
- convertible into converted ordinary shares at any point in the two years commencing 1 July 2003. The shares are convertible based on a formula dividing the aggregate nominal amount of preference shares held by the average share price of ordinary shares for ten days before and after the conversion notice is served; and
- redeemable at the option of the Company at any time at par.

## 19. Options in shares of Antisoma plc

Options have been granted over the following ordinary shares of 1p each:

| Date granted | Number of shares | Subscription price | Period when exercisable |
|---|---|---|---|
| 16 December 1998 | 702,348 | 74p per share | 17 December 1998 to 15 December 2008 |
| 16 December 1998 | 129,664 | 74p per share | Note i to 15 December 2008 |
| 16 December 1998 | 113,453 | 32.4p per share | Note ii |
| 9 July 1999 | 648,321 | 42.6 p per share | Note i to 9 July 2009 |
| 16 December 1999 | 75,635 | £1.041 per share | 17 December 2002 to 15 December 2009 |
| 18 February 2000 | 207,750 | £1.046 per share | Note iii to 17 February 2010 |
| 9 June 2000 | 413,783 | £1.009 per share | Note iii to 8 June 2010 |
| 19 September 2000 | 219,642 | £1.425 per share | Note iii to 18 September 2010 |
| 13 February 2001 | 147,699 | £2.119 per share | Note iii to 12 February 2011 |
| 17 September 2001 | 685,438 | 37.5p per share | Note iii to 16 September 2011 |
| 16 April 2002 | 3,279,023 | 20.7p per share | Note iii to 15 April 2012 |
| 23 September 2002 | 6,328,803 | 12.34p per share | Note iii to 22 September 2012 |
| 20 February 2003 | 1,597,202 | 26.34p per share | Note iii to 19 February 2013 |
| 28 February 2003 | 81,083 | 26.34p per share | Note iii to 27 February 2013 |
| 1 October 2003 | 1,656,854 | 38.17p per share | Note iii to 30 September 2013 |
| 16 February 2004 | 1,837,135 | 43.125p per share | Note iii to 22 February 2014 |
| 23 February 2004 | 1,505,352 | 44.84p per share | Note iii to 22 February 2014 |
| 24 March 2004 | 192,307 | 39.00p per share | Note iii to 23 March 2014 |
| 1 April 2004 | 135,802 | 40.50p per share | Note iii to 31 March 2014 |
| 21 September 2004 | 2,075,317 | 14.0p per share | Note iii to 20 September 2014 |
| 21 February 2005 | 5,156,578 | 22.2p per share | Note iii to 20 February 2015 |
| | 27,189,189 | | |

*(i) One quarter of the total number of shares under option are exercisable on the date of grant. One quarter of the total number of shares under option became exercisable on each of the first, second and third anniversaries of the date of grant.*

*(ii) The shares are exercisable under two parallel options represented by the Antisoma plc Company Share Option Plan: Part A and Part B. Under Part A the options may only be exercised following an agreement for the commercialisation of R1549 and after three years of the date of grant. Under Part B they may be exercised following an agreement for the commercialisation of R1549 or, if earlier, on the date of a change of control of the Company. Shares under option may be acquired under either Part A or Part B of the Option Plan, but not both. The latest date that the options may be exercised is 15 December 2008.*

*(iii) The options are exercisable from the day following the third anniversary of grant or following a change in control of the Company. Exercise of the options is subject to certain conditions relating to share price performance.*





## 20. Share premium account and reserves

| Group | Share premium account £'000 | Other reserves £'000 | Profit and loss account £'000 |
|---|---|---|---|
| At 1 July 2004 | 69,683 | 4,300 | (51,484) |
| Issue of shares | 15,305 | – | – |
| Expenses of share issue | (46) | – | – |
| Loss for the year | – | – | (7,135) |
| Exchange movement | – | – | (6) |
| At 30 June 2005 | 84,942 | 4,300 | (58,625) |

Other reserves represent the reserve arising on the acquisition of Antisoma Research Limited accounted for as a Group reconstruction.

At 30 June 2005, the cumulative goodwill resulting from acquisitions, which had been written off to reserves before adoption of FRS 10, was £1,570,000 (2004: £1,570,000).

| Company | Share premium account £'000 | Merger reserve £'000 | Profit and loss account £'000 |
|---|---|---|---|
| At 1 July 2004 | 69,683 | 342 | 1,627 |
| Issue of shares | 15,305 | – | – |
| Expenses of share issue | (46) | – | – |
| Retained profit for the year | – | – | 953 |
| At 30 June 2005 | 84,942 | 342 | 2,580 |

## 21. Reconciliation of movements in Group shareholders' funds

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Opening shareholders' funds | **29,492** | 15,989 |
| Issue of shares | **15,971** | 15,204 |
| Expenses of share issue | **(46)** | (1,093) |
| Loss for the year | **(7,135)** | (608) |
| Other recognised gains and losses | **(6)** | – |
| Closing shareholders' funds | **38,276** | 29,492 |

## 22. Capital commitments

The Group had no capital expenditure contracted for but not provided in the financial statements at 30 June 2005 (2004: £17,000).

## 23. Financial commitments

At 30 June 2005 the Group and Company had annual commitments under non-cancellable operating leases as follows:

| Group | Land and buildings 2005 £'000 | Other 2005 £'000 | Land and buildings 2004 £'000 | Other 2004 £'000 |
|---|---|---|---|---|
| Expiring within one year | 201 | – | – | – |
| Expiring between two and five years inclusive | – | 18 | 201 | 18 |
| Expiring in more than five years | 262 | – | 240 | – |
| | 463 | 18 | 441 | 18 |

| Company | Land and buildings 2005 £'000 | Land and buildings 2004 £'000 |
|---|---|---|
| Expiring within one year | – | – |
| Expiring between two and five years inclusive | – | – |
| Expiring in more than five years | 262 | 240 |
| | 262 | 240 |

## 24. Reconciliation of operating loss to net cash outflow from operating activities

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Operating loss | (11,117) | (3,126) |
| Depreciation | 435 | 440 |
| Amortisation of intangibles | 463 | 697 |
| Decrease in debtors | 1,053 | 1,383 |
| Decrease in creditors | (6,181) | (9,010) |
| **Net cash outflow from operating activities** | (15,347) | (9,616) |

## 25. Reconciliation of net cash flow to movement in net funds

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| (Decrease)/increase in cash for the year | (15,344) | 14,311 |
| Cash outflow/(inflow) from purchase/(sale) of current asset investments | 1,556 | (9,473) |
| Movement in net funds in the year | (13,788) | 4,838 |
| Net funds at start of the year | 38,833 | 33,995 |
| **Net funds at end of the year** | 25,045 | 38,833 |

## 26. Analysis of net funds

| | Cash at bank and in hand £'000 | Short-term deposits £'000 | Total £'000 |
|---|---|---|---|
| At 1 July 2004 | 16,452 | 22,381 | 38,833 |
| Cash flow | (15,344) | 1,556 | (13,788) |
| **At 30 June 2005** | 1,108 | 23,937 | 25,045 |





## 27. Related party disclosures

The Company has taken advantage of the exemption available to parent companies under FRS 8 'Related Party Disclosures' not to disclose transactions and balances with Group entities which have been eliminated on consolidation.

**Transactions with Directors**

During the year the Directors of the Company purchased new ordinary shares of 1p each as follows:

| Director | Number of shares acquired | Price per share |
|---|---|---|
| Barry Price | 11,413 | £0.23 |
| Grahame Cook | 15,761 | £0.23 |
| Michael Pappas | 12,228 | £0.23 |

**Subsequent share purchases**

On 8 July 2005 Directors of the Company purchased new ordinary shares of 1p each, as follows:

| Director | Number of shares acquired | Price per share |
|---|---|---|
| Glyn Edwards (Executive) | 337,835 | £0.1875 |
| Raymond Spencer (Executive) | 128,143 | £0.1875 |
| Ursula Ney (Executive) | 195,391 | £0.1875 |
| Barry Price (Non-Executive) | 14,000 | £0.1875 |
| Grahame Cook (Non-Executive) | 19,333 | £0.1875 |
| Michael Pappas (Non-Executive) | 15,048 | £0.1875 |

The three Executive Directors reinvested all of their bonus for the 15 months ended 30 June 2005, net of tax and social security, under the terms of the EIP (see page 17) to acquire the above shares, which qualify as Investment Shares under the Executive Incentive Plan.

The three Non-Executive Directors have elected to take a part of their fees in newly issued shares of the Company and shall continue to do so until further notice. The numbers of shares acquired by them in the table above were issued in respect of fees for the quarter ended 30 June 2005.

**Transactions with Kudos Independent Financial Services Limited**

Kudos Independent Financial Services Limited (KIFS) is a related party because Michael Pappas is a Director of the Company and of KIFS. KIFS advises the Company in relation to pensions, permanent health insurance and life assurance and derives its income by way of commission from the suppliers of these products. No income is derived directly from the Company.

**Transactions with Leventis Holding SA**

Leventis Holding SA (LH) is a related party as it was a substantial shareholder in Antisoma plc during the year under review. Michael Pappas is the representative of Leventis Holding on the Board of Antisoma plc.

The offices of Antisoma Research Limited are located at West Africa House, Ealing, London. These offices are sub-leased from Leventis Overseas Limited (a subsidiary of LH). Rent has been charged on the space sub-leased by Antisoma Research Limited at the rate of £201,000 (2004: £201,000) per annum, with an additional annual service charge for 2005 of £14,000 (2004: £14,000).

## 28. Pension obligations

The Group operates a defined contribution Group personal pension scheme for employees and Directors. The total pension cost for the Group was £337,000 (2004: £287,000).

# Notes to the financial statements continued

for the year ended 30 June 2005

**29. Acquisition of Aptamera, Inc.**

On 4 February 2005, a new wholly-owned subsidiary, Aptamera, Inc., was acquired by the issue of 66,500,041 shares of 1p each. Its fair market value was 24p per share (based on the closing share price on 3 February 2005).

Details of the book value and fair value of the assets and liabilities of Aptamera, Inc., as at 4 February are set out below:

| Fixed assets | Book value £'000 | Adjustments £'000 | Fair value £'000 |
|---|---|---|---|
| intangible | 74 | (74) | – |
| tangible | 30 | (26) | 4 |
| Debtors | 3 | – | 3 |
| Cash at bank and in hand | 1 | – | 1 |
| Accruals | (13) | – | (13) |
| **Net assets/(liabilities) acquired** | **95** | **(100)** | **(5)** |

| Satisfied by: | |
|---|---|
| Shares issued | 15,960 |
| Expenses of acquisition | 704 |
| **Total consideration** | **16,664** |
| **Goodwill arising on acquisition** | **16,669** |

Fair value adjustments bring Aptamera, Inc.'s accounting policies in line with those of the Group. The goodwill arising on acquisition has been capitalised and amortised over the 15 year estimated useful life of the acquired business.

Tangible fixed assets acquired comprised licence fees, patents and website development costs and have not been capitalised separately from goodwill. In addition to the £704,000 of acquisition expenses paid, share issue costs of £46,000 were incurred.

The post-acquisition results and cash flows of Aptamera, Inc. are not separately identifiable or material to the Group.



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Antisoma plc Annual Report and Accounts: year ended 30 June 2005

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