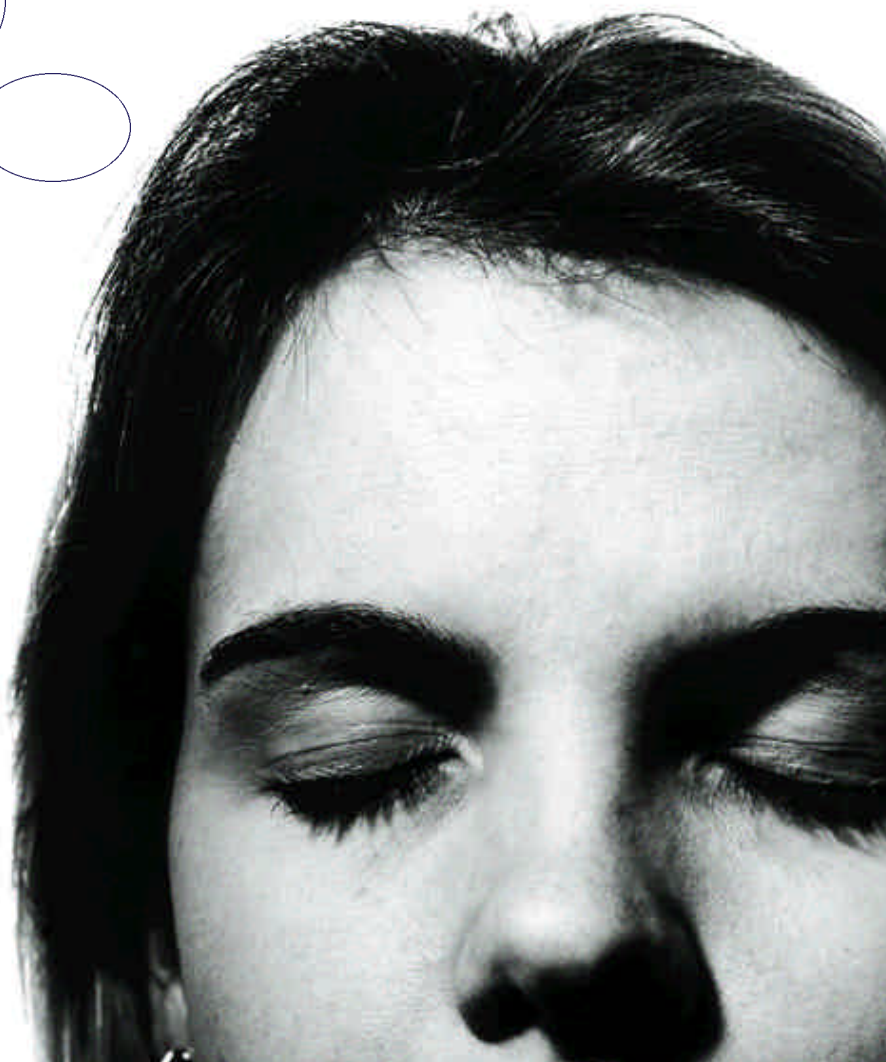
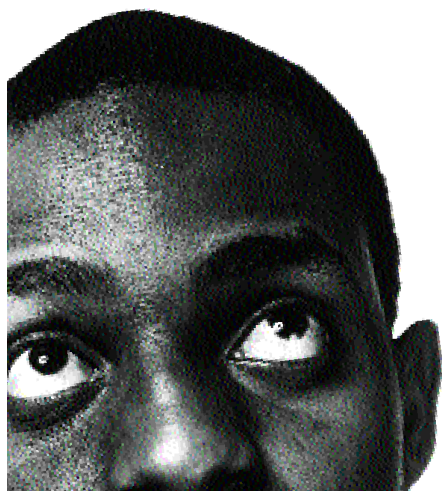


utilising knowledge



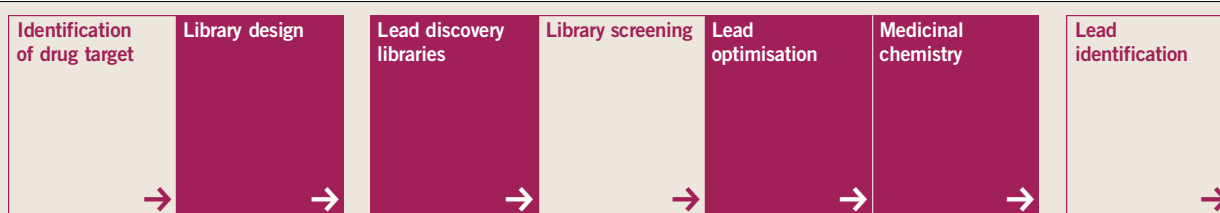
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What we do

We supply pharmaceutical, biotechnology and agrochemical companies with the chemistry services they need to discover and develop valuable new products. We design and make hundreds of thousands of novel chemical compounds for our clients to test. When they identify a potentially valuable compound, we produce more for further testing; first on a laboratory-scale, then on larger scales right up to commercialisation. We call this total service offering the 'Complete Chemical Solution'. In addition to chemical technology, we invest heavily in people, facilities and Knowledge Management systems. Our extensive capabilities allow us to work in partnership with our customers to provide high-value business solutions that no other company can offer.

Oxford Asymmetry International provides a fully integrated range of chemical services from discovery right through to commercial production. These services significantly reduce the overall time and risks associated with bringing new pharmaceuticals and agrochemicals to market. We work in partnership with companies, providing expertise and innovation to accelerate their discovery and development programmes, enabling our partners to get their products to market faster and more cost effectively.

Discovery



The disease area and molecular targets are identified.

We design diverse, high quality, well-characterised chemical libraries of compounds with 'drug-like' qualities.

Lead discovery libraries vary in size according to the strategic approach employed in biological target screening. High throughput screens routinely use libraries of up to several hundreds of thousand compounds. Focused libraries, aimed at gene product families, are smaller, and commonly contain hundreds to thousands of compounds of a specific class.

Each compound in the library is screened for activity against the target. Compounds showing activity are known as 'hits'.

Once a lead ('hit') has been identified a few hundred derivatives of that 'hit' are made as a lead optimisation library. These libraries are then investigated to optimise activity.

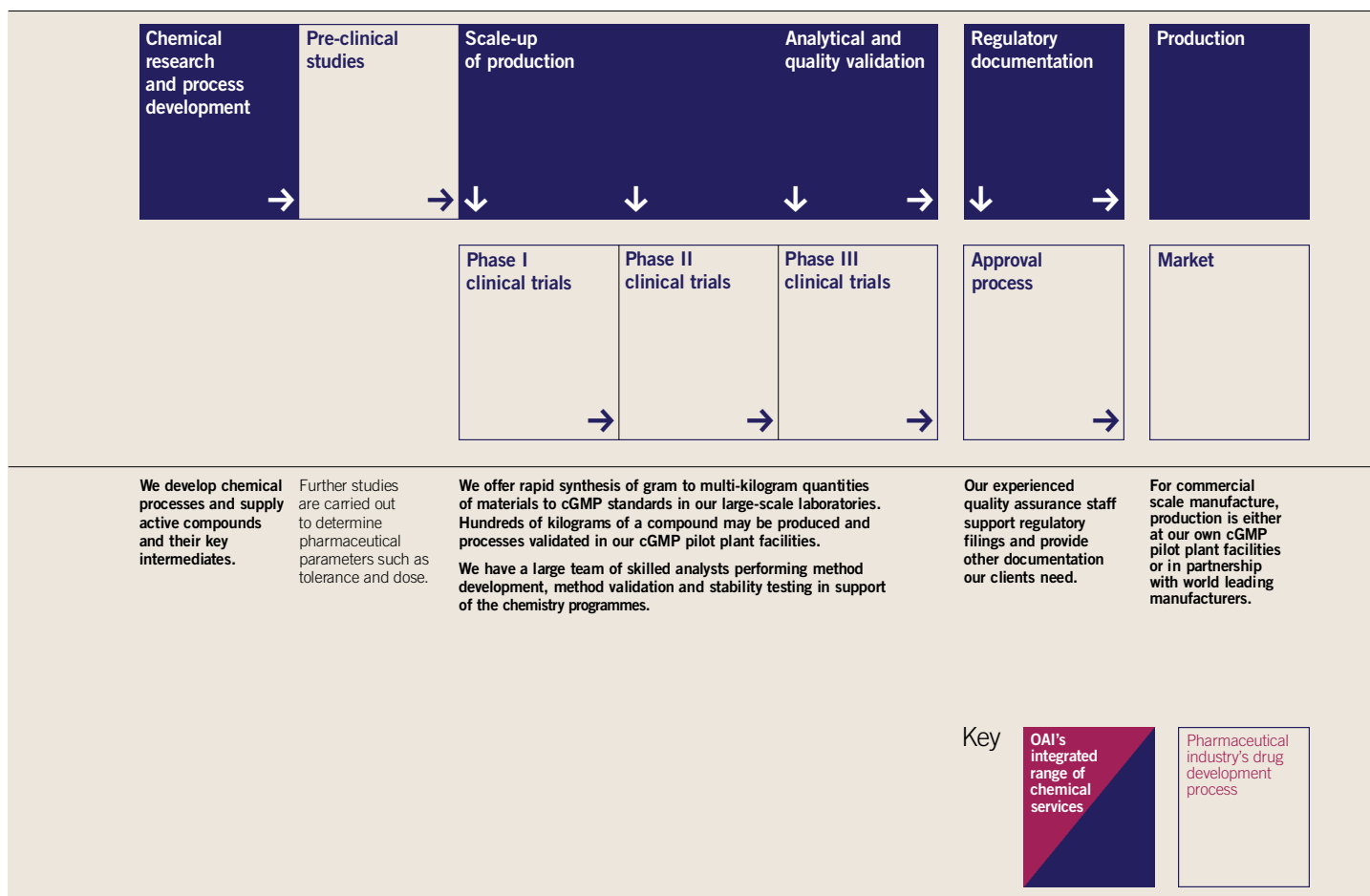
Our medicinal chemistry expertise helps speed up the selection of new lead candidates by 'fine-tuning' the selectivity for the target, together with the physicochemical and pharmacokinetic properties of the molecule.

Further investigations such as stability, metabolism and toxicity tests, are carried out to select compounds to take into development.

Discovery We design and produce custom-made chemical libraries of novel chemical compounds for screening. These are used in the identification of lead drug candidates that can then be taken on to the next stage of development. We supply structurally diverse and focused libraries for lead discovery, libraries for lead optimisation and medicinal chemistry expertise to 'fine-tune' properties of compounds identified which are to be taken into development.

Development We provide all the chemistry services our partners need to progress drug candidates through to development and commercial production. This includes developing new chemical processes and analytical methods as well as providing fully characterised compounds to high regulatory standards. We supply small quantities for pre-clinical testing right through to the larger quantities required for clinical trials and beyond.

Development



Chairman's statement

"Expanding from a strong base"



This is my second opportunity to report on our annual results since Oxford Asymmetry International listed on the London Stock Exchange in March 1998. The last 12 months have seen considerable activity across a number of fronts and I am pleased to be able to report the following progress.

Performance The business developed broadly in line with our plans. Turnover for the year increased by 35% to £20.2 million (1998: £14.9 million). Operating profits were up 7% to £3.0 million (1998: £2.8 million) and profit before tax was £3.7 million (1998: £3.7 million). The relatively modest increase in operating profits compared with the strong growth in the top line had been anticipated and was the result of the large addition of laboratory capacity at the beginning of the year which is not expected to be fully utilised until the end of 2000. The company continues to benefit from a favourable tax position and we do not expect to pay any corporation tax on our 1999 earnings. Earnings per share for 1999 were 9.1p (1998: 9.8p). The Board recommends again that no dividends are paid at present, as it still believes that at this stage of the Company's development it is in shareholders' best interests to have all profits reinvested in the business.

Objectives and strategy Our objective remains unchanged: to be the supplier of choice for all high-value chemical products and services required by the pharmaceutical, biotechnology and agrochemical industries to discover, develop and market new products. Our strategy also remains consistent: to invest in high quality people, facilities and technology to enable us to provide a premium service to our customers and to take full advantage of the growing market opportunities that exist. This commitment is demonstrated by the Board's decision to invest £12 million in new pilot plant facilities to augment those that we have and to provide a broader range of capabilities for our customers. We have also continued to evaluate and explore opportunities to access other products, technologies and services which complement our existing offering as illustrated by our investment in the formulation company ProPharma.

Outlook During 1999, we were successful in growing the business significantly by both expanding and extending programmes with existing customers, as well as through important new additions to our customer portfolio. This progress is expected to continue throughout 2000. There continues to be considerable consolidation amongst the major pharmaceutical companies, but we believe this will be balanced by the fact that this industry restructuring will result in a continued increase in

the trend to outsourcing. As individual business opportunities are likely to become larger, it will be important for the Company to grow rapidly, both organically and through other means to ensure that it will continue to be well placed to take advantage of the ever-expanding demands of our client base.

The major investment programmes in laboratories have been completed successfully on time and on budget and the new pilot plant is also on schedule. The latter is the last major investment envisaged when the Company floated in 1998. While we expect substantial investment to continue it is not anticipated to be at the rate observed in 1999 and expected in 2000. We believe we will reap the rewards from the investment in Knowledge Management for many years. This should support continued good top line growth in 2000 together with strong growth in profits, though as pharmaceutical industry consolidation continues we are expecting short-term reduced visibility in our order book.

Board The existing Board has been instrumental in leading the Company into its current strong position. It is, however, recognised by all the Directors that there is a need for the Board to evolve, to adapt to the present and future challenges involved in maximising the potential of the Company. After three years as Chairman, I will be retiring at the Annual General Meeting in May. The current Chief Executive Officer, Dr Edwin Moses, will be taking on the role of Executive Chairman, while the current Chief Operating Officer, Dr Mario Polywka, will be promoted to Chief Executive Officer. Both Dr Moses and Dr Polywka have been at the core of the Company's development since 1993.

Consistent with the Board's evolution, I am also pleased to announce that two additional, independent Non-executive Directors have been appointed to the Board. They are Mr Michael Redmond and Dr Robert Dow, both of whom bring a wealth of experience and knowledge of the pharmaceutical industry to the Company.

My five years as a Director, three of which have been as Chairman, have seen the Company develop from a small private company to the successful public company it is today. The past year has been another exciting chapter in the Oxford Asymmetry International story. I have enjoyed immensely leading the Board through this time of very considerable change and development and I leave in the confident knowledge that my successors have a very strong base from which to continue to build and grow this exciting Company. I should like to thank all the shareholders for their support together with all our other key stakeholders – staff, customers and suppliers, on whom we depend for our success.

+35%
£20.2m

Sales (1998: £14.9m)

+7%
£3.0m

Operating profit (1998: £2.8m)



Dr Roger Brimblecombe Chairman

Chief Executive Officer's review

"Building the company for the 21st century"



Oxford Asymmetry International (OAI) has continued to develop rapidly during 1999. Progress during the year has been very encouraging. In order to align its organisation more closely with that of its customers, OAI renamed its operating divisions in 1999 with Oxford Diversity becoming the Discovery Services Division and Oxford Asymmetry becoming the Development Services Division.

Results Turnover grew by 35%, compared with 1998, to £20.2 million. Operating profits were up 7% to £3.0 million (1998: £2.8 million). Sales and profits were less prone to seasonal fluctuations than in 1998.

In 1999, 92% of sales were outside the UK (1998: 77%) with 55% in mainland Europe (1998: 30%) and 37% in North America (1998: 47%). These results show continued strong penetration into the European market which is very encouraging.

58% of revenues came from pharmaceutical companies (1998: 55%) while 29% came from biotechnology companies (1998: 32%) and the remainder came from the agrochemical and fine chemical industries.

Our top three clients represented 47% of total revenues (1998: 40%) and the top ten customers accounted for 77% of sales (1998: 68%).

The Discovery Services Division, which is involved in the production of large numbers of chemical compounds (libraries) for testing, achieved excellent progress with a 60% increase in sales to £11.4 million (1998: £7.1 million). The Development Services Division, which is involved in laboratory scale and pilot plant production together with process research and development, increased sales by 13% to £8.8 million (1998: £7.8 million). We are anticipating more rapid growth in the Development Services Division in the future and our expectations for 2000 suggest that the two divisions will be closer in terms of absolute sales.

The order book at the beginning of 2000 stands at just under £16 million. This compares with £21 million at the end of 1998 and £19 million at the end of June 1999. The reduction in the order book since June 1999 is due to the removal of more than £3 million of orders for kilogram quantities of prostaglandin E_1 that Vivus Inc., agreed to place with us as part of our supply agreement with it. Vivus has failed to place those orders as required by the agreement, so we have started arbitration proceedings in the US courts.

Ordering patterns in this business are traditionally quite lumpy. After a relatively quiet first half in which orders of £7.9 million were received, there was a considerable increase in the second half with orders of more than £10.6 million, which included a £3.3 million deal with DuPont, a £2 million extension of an existing contract with Parke-Davis and exciting new programmes with Bristol-Myers Squibb and Millennium Pharmaceuticals. These additions reflect the continuing trend towards outsourcing in drug discovery and development. This is also demonstrated by further significant contracts won or committed to during the year, a summary of which is shown on pages 10 to 14.

Knowledge Management We define Knowledge Management as the efficient collection, management, mining and dissemination of all technical, commercial, financial and other information within the Company. We emphasised last year that we saw this area as being critical for OAI's development and extremely important in maintaining our competitive advantages and improving the services we offer customers. We have achieved great progress in 1999 and have implemented four major systems:

Corporate Chemical Database (CCD) CCD allows us to store synthetic, analytical and commercial information on the millions of compounds we synthesise and rapidly to search and interrogate this database. Without such a database, it would not be possible to manage effectively the huge quantities of information we generate using high speed chemistry techniques nor could we ensure that customers received the levels of service and compound security that they demand.

Chromatography Data Systems (CDS) This system connects all our analytical systems allowing analysts to process, store, retrieve and report data within a database and remotely to control instruments located throughout OAI's laboratories. CDS improves efficiency, increases the speed and ease with which we can generate client reports and helps ensure the integrity and security of analytical data.

Electronic Laboratory Notebooks (ELN) The scientists' laboratory notebooks (which contain all the source scientific data that we generate) are electronically scanned in and annotated with key information to allow subsequent searching. This facility allows all the scientists in the Company easy access to the 800 man-years of chemical knowledge that has

already been generated since OAI was founded and has the potential to be a key contributor to efficiency gains.

Resource Planning The enterprise resource planning system we have installed facilitates project and resource management. The benefit to the Company is that all aspects of projects can be monitored and managed on a real time basis allowing us to make adjustments rapidly where necessary. From the customer's viewpoint, such a system helps ensure that OAI meets its programme objectives on time and to budget.

These four systems are now delivering tangible benefits and are also demonstrated as part of the whole presentation of OAI's capabilities. There has been a tremendously positive response from customers as many of them recognise that we have made progress in this critical area which is far in advance of our competitors and indeed of our clients themselves. OAI's special culture has enabled us to innovate and implement at an astonishing rate. This was recognised at the recent national Information Management Awards when OAI's ELN project won first prize in the Electronic Document Management section and our Knowledge Management project was runner-up in the overall category. This competition was open to a wide range of industries and companies of all sizes, so it was particularly noteworthy that the advances made by OAI should attract such acclaim.

Research & Development All of the programmes that we carry out for our clients create some form of intellectual property to which we seek to retain access. This means that all the sales that we generate are contributing to the development of OAI's technological capability. In addition, we supplement this by supporting both internal and external research in areas that we believe are key to the future growth of the Company. In 1999, internal R&D was focused mainly on automation of both synthesis and analysis. Externally, we are collaborating with a number of University groups to develop novel chemistries and robotics, as well as with some companies involved in the development of predictive software.

Platforms for growth In order to provide the sophisticated services that our customers require, we need the following key resources:

People A key focus for 1999 was to improve efficiency and output per person. The success of

this initiative was demonstrated by the fact that even though sales grew at 35% during the year, average headcount rose by only 22% to 228 (1998: 187). These efficiency gains have been due to a combination of organisational changes, the implementation of new project management systems and the preliminary effects of the Knowledge Management projects. The educational profile of the staff has remained similar to 1998 with 37% holding PhD qualifications and 88% with a graduate degree or equivalent.

Facilities The second phase of the fit-out of the new 75,000 sq.ft. laboratory facilities was completed during 1999 at a cost of £4.2 million (budget £4.4 million). We now have a further six synthetic chemistry laboratories to add to the six which came on stream at the end of 1998. The total cost of outfitting the new laboratory facility was £11.2 million. In total, we now have approximately 125,000 sq.ft. of laboratory, pilot plant and office space.

In May, OAI underwent its first pre-approval inspection by the US Food & Drug Administration in connection with a New Drug Application submitted by one of our customers. The inspection was completed very successfully and reflected the sophistication of our quality systems.

To meet the anticipated growth in demand for multi-kilogram quantities of new drugs for development and commercial sale, the Board of OAI approved the construction of a new pilot plant adjacent to the Company's existing laboratory facilities on Milton Park. This new development will approximately quadruple the current capacity and is expected to be in full production by the year 2001, at a cost of about £12 million. The Board intends to finance this development through the Company's cash resources and debt facilities. The plant will be constructed to allow the initial capacity to be doubled when required at a considerably lower incremental cost.

Business development As mentioned previously, we have been reviewing a number of opportunities to expand our business and develop the range of services we offer our customers.

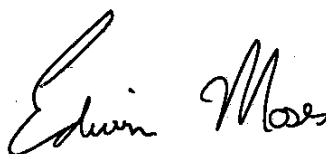
We are pleased to have completed an investment in ProPharma, a spin-out from the University of Strathclyde. On 31 January 2000, OAI invested

£1.1 million in return for a 58% equity stake in the company – the other shareholders are the University of Strathclyde and the founding scientists and management. OAI has an option to purchase the remaining 42% of the equity over a three year period as part of an earn-out arrangement. ProPharma is a dedicated service company involved in the development of formulations for drug substances and the production of sterile vials of formulated drugs for clinical trials. This is a very interesting niche which we believe has the potential to be very successful in its own right as well as adding value to OAI's Development Services.

Summary In 1999, we achieved strong top-line growth, while continuing to invest substantially for the future. Increases in productivity, as a result of organisational changes and the early benefits of Knowledge Management initiatives, were greater than expected and bode well for the future.

A number of Knowledge Management projects have now been successfully implemented and the management of the Company remains convinced that this area is already a key differentiating feature for OAI and will be a critical component in our drive to increase our efficiency and competitive advantage over the coming years.

Pharmaceutical industry consolidation continues and, as such, has the potential to disrupt our order flow and business visibility in the short-term. In the medium-term, however, we believe that the industry changes will benefit the premier suppliers of outsourcing services to the industry. Estimates are that both expenditure on pharmaceutical R&D and outsourcing itself are growing. Through a combination of internal investment and an aggressive programme of external investments in organisations like ProPharma, our aim is to ensure that OAI has critical mass in terms of both size and its range of capabilities, so that we will be the partner of first choice for pharmaceutical companies in the new industry structure which is evolving. The strategy to achieve growth in shareholder value is as before: investment now to provide the platform for the future continued success of OAI.



Dr Edwin Moses Chief Executive Officer

Integral to our culture are our Knowledge Management systems which enable us to capture and share our skills and knowledge effectively between employees throughout the company. This means we can pass on significant advantages in terms of efficiency and service to our clients and value to our shareholders.

10. Oxford Asymmetry International plc
Business review

- 01 Effective communication is essential for maintaining and improving the quality of service we offer. Regular project team meetings ensure our clients are kept fully up to date with the status of their programmes.
- 02 The second phase of the fit-out of our new 75,000 sq.ft. R&D facility on Milton Park was completed during 1999. This site provides first-class laboratories and office accommodation.

01



02



Significant contracts won or committed to during the period include:

Existing customers

Biochem Pharma, Canada During part of 1998 and 1999 we produced a 75,000 compound lead discovery library for Biochem Pharma. This programme was successful and as a result Biochem Pharma has signed a follow-on deal for 2000 for the supply of another large library for lead discovery. Under the terms of this agreement, OAI will receive fees for compounds delivered together with milestone payments for each compound supplied that progresses to meet clinical goals or is commercialised.

DuPont, USA In addition to the existing two-year contract which began in June 1998, we have recently signed a three year £3.3 million deal to produce a robust lead discovery library. The agreement also allows for potential milestone payments based on product development stages, as well as possible royalty payments when the compounds produced reach the commercial market.

Monsanto Company/Searle, USA As a result of the successful initial agrochemical programmes, this contract was expanded early in 1999. More recently, the relationship has been developed further to include Searle, the pharmaceutical division of Monsanto. Under the terms of the collaboration, a dedicated team of OAI's chemists will provide Searle with high quality libraries for pharmaceutical screening. As well as fees for services, OAI received an up-front payment in 1999 and there are potential milestone payments if projects meet defined goals and products are commercialised.



Knowledge in isolation limits potential Shared knowledge is a much more powerful tool than individual knowledge. It provides the organisation with a significant competitive advantage.

Access to knowledge provides freedom

Having easy access to the Company's complete knowledge base allows us to concentrate on innovation and creativity.



13. Oxford Asymmetry International plc

Existing customers continued

Parke-Davis, Europe This is a two year, £2 million extension. The first contract started in November 1998, under which a dedicated team of OAI synthetic chemists will continue to provide Parke-Davis with custom synthesis services and quantities of a wide range of novel, sophisticated chemical intermediates and potentially active compounds. This contract has also been expanded to allow the provision of chemical libraries for discovery by the same flexible team.

PharmaMar, Spain We successfully completed the £1 million project to produce multiple batches of the complex key intermediate to PharmaMar's lead drug candidate, which is currently being investigated in Phase II clinical trials as an anti-cancer drug. Based on this success, PharmaMar have placed additional orders for this intermediate to be supplied during the first half of 2000.

UCB Pharma, Belgium This is a one year process research and development programme following on from previous work successfully completed at OAI.

Vertex Pharmaceuticals Inc., USA Pilot plant production of material for clinical trials.

03 OAI's innovative scientists develop novel automated techniques where none are commercially available in order to provide even faster chemistry services for our customers. 04 The Chromatography Data System (CDS) connects all our analytical systems allowing analysts to process, store, retrieve and report data within a database and remotely to control instruments located throughout OAI's laboratories. CDS improves efficiency, increases the speed and ease with which we can generate client reports and helps ensure the integrity and security of analytical data.

03



04

14. Oxford Asymmetry International plc
Business review continued

05



06

05 Automated systems, both commercial and proprietary, have been implemented throughout our discovery and development divisions to increase efficiency and output. 06 OAI's pilot plant expansion programme will have quadruple the capacity of our current plant and is expected to be on stream by 2001.

New customers

Aventis Research & Technologies GmbH, Germany

A contract to use combinatorial chemistry to develop a wide range of phosphine ligands to be used in potential catalysts for asymmetric transformations.

Bristol-Myers Squibb, USA

This is a significant order for process development and pilot scale production of an active compound in development.

Janssen Pharmaceutica, Belgium OAI has been contracted to supply a lead discovery library to this Belgian subsidiary of Johnson & Johnson.

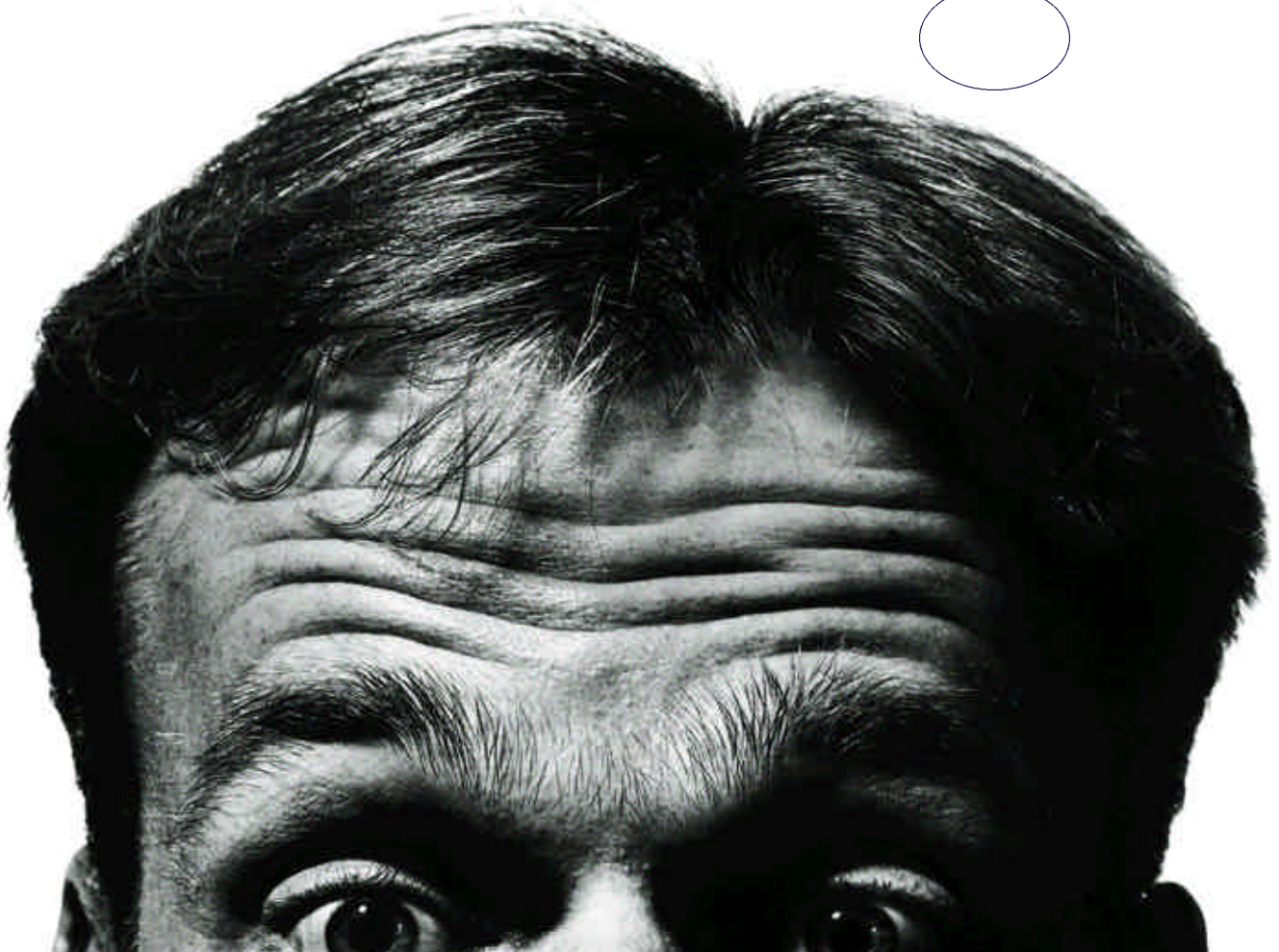
Millennium Pharmaceuticals Inc., USA A contract to produce a series of targeted libraries to receptor families as well as providing follow-up material for further testing.

Ontogeny Inc., USA OAI initially provided Ontogeny with medicinal chemistry support and high speed chemistry to produce lead optimisation libraries. This is now being supplemented with scale-up services to enable rapid progress towards clinical trials. The contract has been expanded during the year and in December we earned our first milestone payment when one of the compounds developed for Ontogeny was shown to have a certain level of biological activity.

N.V. Organon, The Netherlands This three year deal to provide a large lead discovery library focused around specific therapeutic targets was initiated during the first half of 1999. The agreement includes fees for services provided, together with potential milestone and royalty payments.

PowderJect, UK We received an order for kilogram quantities of prostaglandin E₁ (alprostadil), for use in clinical trials of PowderJect's erectile dysfunction treatment.

Organising knowledge is the future The quantity of new information generated in today's scientific world would be overwhelming without effective capture, storage and search techniques.







A culture to maximise Knowledge Management

It's our culture that allows us to share knowledge across the business more efficiently and maximise our chances of technical and commercial success.

18.Oxford Asymmetry International plc
Finance Director's review



+35%
£20.2m

Sales (1998: £14.9m)

Profit and loss account As expected, sales grew significantly in 1999 to £20.2 million, 35% higher than 1998 (£14.9 million). However, growth in operating profit was more modest, as the Chairman predicted in his statement in the 1998 Annual Report, since the additional capacity in which the Company has invested since flotation nearly two years ago is not planned to be fully utilised until the end of 2000. Consequently the gross margin fell from 42% in 1998 to 39%, but gross profit increased by 26% from £6.3 million to £7.9 million.

The growth in operating profit was 7%, as net overhead expenses in total increased from £3.5 million to £5.0 million. The largest single factor in the increase was the reduction in grant income that I predicted in my report last year, but another important factor has been an increase in IT related costs – both staff and equipment – which was necessary to make the most of our investment in new systems. The depreciation charge for 1999 was £2.8 million (1998: £1.5 million) so EBITDA, a measure commonly used by financial analysts, was £5.8 million which was 34% higher than 1998 (£4.3 million).

The reduction in cash and investment funds has led to a fall in interest income of £237,000 and a concomitant fall in profit before tax of £40,000 from £3,712,000 in 1998 to £3,672,000 in 1999. Although the Company issued no new shares during 1999, the weighted average number of shares used in calculating basic earnings per share (eps) has increased by 7%, since the shares issued at the flotation in March 1998 were in issue for less than 10 months in that year and because of the impact of share options exercised during 1999. Accordingly there was a fall in basic eps of 7% from 9.8p per share in 1998 to 9.1p per share in 1999.

The Company's business is focused on earning 'fees for service' – this is the basis for planning and managing the business. However it is a feature of certain of our contracts with customers that should their drug candidates or other compounds be successful in trials then the Company will receive milestone and/or royalty payments. With a wide portfolio of such interests the Company should, in the long term, benefit from this 'upside'. In 1999, the Company earned its first milestone income and although this was an immaterial amount, it is a welcome confirmation that the Company may benefit more substantially in future years.

+26%
£7.9m

Gross profit (1998: £6.3m)

+7%
£3.0m

Operating profit (1998: £2.8m)

+34%
£5.8m

EBITDA (1998: £4.3m)

Taxation The Company has continued to benefit from the accelerated taxation allowances on its capital expenditure which follow from being engaged in research and development. While the Company had £9 million of tax losses carried forward at the end of 1998, there are £13 million of tax losses carried forward at the end of 1999 so it is unlikely that the Company will start to pay mainstream corporation tax for some time.

The UK accounting authorities issued draft proposals in 1999 under which UK GAAP would follow international accounting practice more closely and require that a charge be made in the profit and loss account on a full provision basis for deferred tax in respect of the timing differences from which the Company benefits. The responses to the draft proposals are currently being considered and it is not clear at present which rules will be confirmed, nor what the effective date will be from which they must be applied.

Cash balances and cash flow The Company's net funds comprise cash balances plus amounts held as short term investments. The Company started 1999 with £14.7 million of net funds and ended the year with £9.5 million. The significant components of this net reduction of £5.2 million are that £4.8 million was cash generated from operations, plus £0.8 million financing inflow and interest income less £10.8 million spent on capital projects.

Capital expenditure Additions to fixed assets in 1999 totalled £10.6 million, of which £1.9 million was on plant and equipment for laboratories and the pilot plant; £2.2 million on developing four Knowledge Management systems; £5.3 million on the two phases of laboratory buildings and £1 million on the new pilot plant. There will be further significant expenditure on the new pilot plant during 2000 – the project is expected to cost £12 million in total.

Subsidiary acquired on 31 January 2000 The Company acquired a 58% interest in ProPharma Limited through subscribing for new shares, in cash, at a cost of £1.1 million. The Company also has an option to acquire the balance of 42% of the shares of ProPharma Limited at a capped price dependent on the future financial performance of that company.


Malcolm Hay Finance Director



21. Oxford Asymmetry International plc Directors and senior management

Non-executive Directors:

1 **Dr Roger Brimblecombe** (70) *Non-executive Chairman*

Roger became a Non-executive Director of OAI in February 1995 and Chairman in May 1997. He previously held a number of senior management posts in SmithKline & French. He currently serves on the boards of several biotechnology companies and is Chairman of one other UK plc. He is a Fellow of the Royal Society of Medicine, the Royal College of Pathologists and the Institute of Biology.

2 **Nick Cross** (52) *Non-executive Deputy Chairman*

Nick was a founding shareholder in OAI and served as the Company's Chairman and Finance Director between 1992-1997. He is a Non-executive Director of several Oxfordshire-based high technology companies and Milton Park Limited.

3 **Ian Laing** (53) *Non-executive Director*

Ian was a founding shareholder in OAI. He is also a Non-executive Director of several Oxfordshire-based high technology companies and Milton Park Limited and a Governor of the London Business School.

4 **Professor Stephen Davies** (50) *Non-executive Director*

Steve was the scientific founder of OAI and has been on the Board since the Company's inception. He is Professor of Chemistry at the University of Oxford and Chairman of the Company's Scientific Advisory Board.

5 **Dr Ludo Reynders** (46) *Non-executive Director*

Ludo was appointed to the Board in January 1998. He is Chief Executive of Quintiles CRO Services Group and has been with Quintiles Group for 12 years.

Dr Robert Dow (48) *Non-executive Director*

Robert will join the Board on 1 March 2000. He is currently Chief Executive Officer of Scotia, having joined the Company as its Medical and Development Director in 1997. Previously he was Worldwide Development Director at Roche and Vice President of Syntex Research Centres until its acquisition by Roche. Robert will have been appointed a Director since the last Annual General Meeting (AGM), and therefore, resolution 4 proposes his reappointment at this year's AGM.

Michael Redmond (55) *Non-executive Director*

Michael will join the Board of OAI on 1 March 2000. He has extensive experience in sales and marketing gained at Glaxo, Schering-Plough and Fisons. At Fisons he was Managing Director of the Pharmaceutical division. He has also held various Non-executive Director positions at BioCompatibles International, Scotia Holdings and Cantab Pharmaceuticals. Michael will have been appointed a Director since the last AGM, and therefore, resolution 5 proposes his reappointment at this year's AGM.

Executive Directors:

6 **Dr Edwin Moses** (45) *Chief Executive Officer*

Edwin was appointed as Chief Executive Officer of OAI in 1998 having joined the Company as Managing Director in 1993. Previously Edwin was Commercial Director of Raggio-Italgene SpA between 1991-1993 and served as Commercial Director on the board of Enzymatix Limited.

7 **Malcolm Hay** (45) *Finance Director*

Malcolm joined OAI in 1997. He is a Chartered Accountant having qualified with Arthur Young following an MA in Economics at Cambridge University. In 1982 he joined Grand Metropolitan plc before being appointed a Corporate Finance partner of Ernst & Young in 1989. In 1995 he set up his own consultancy before joining OAI. Malcolm is retiring by rotation at the AGM, and resolution 3 proposes his reappointment.

8 **Dr Mario Polywka** (37) *Chief Operating Officer*

Mario obtained his D.Phil from the laboratory of Professor Stephen Davies at the University of Oxford. In 1992 he became the Company's first employee, and in 1993 was made Director of Chemistry. In 1995 he was elected to the Board and appointed Chief Operating Officer in January 1999. Mario is retiring by rotation at the AGM, and resolution 2 proposes his reappointment.

Senior management:

9 **Dr Tony Baxter** (40) *Chief Scientific Officer*

Tony joined OAI in 1995 as Director of Combinatorial Chemistry. He was appointed as the Company's Chief Scientific Officer in January 1999. He was previously with Glaxo Group Research and Ciba Geigy Central Research.

10 **Dr Philip Page** (49) *Operations Director*

Philip joined OAI in 1997. He was previously Technical Director of Hovione Sociedade Quimica SA in Portugal where he had board level responsibility for the research and development, production, analysis, quality and regulatory departments.

11 **Ian Nicholson** (39) *Commercial Director*

Ian has over 15 years' sales and marketing experience with life science companies including Amersham International plc and Celltech Group plc. Prior to joining OAI in 1997 he was Commercial Director of Lonza Biotechnology.

Ian Nicholson left OAI in December 1999.

12 **Martyn Melvin** (45) *Human Resources Director*

Martyn was appointed as Human Resources Director in January 1999. He has previously held senior human resources positions with Bowater-Scott, Allied Lyons, Gaymer Group Europe and most recently Blick plc as a Group Personnel Director.

1 ■■■■	7 ★
2 ■■■■	8 ★
3 ■■	9 ★
4 ★	10 ★
5 ★	11 ★
6 ■■	12 ★

■ Senior Independent Non-executive Director

★ Remuneration Committee

■ Audit Committee

★ Executive Management Team

■ Nominations Committee

22.Oxford Asymmetry International plc Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 1999. The financial statements are for Oxford Asymmetry International plc (the Company) and its subsidiary companies (together, the Group).

Principal activities and business reviews

The principal activities of the Company are to provide products and services to support new drug discovery and the chemical development of new drug candidates from discovery through to market.

The business is reviewed in the Chairman's statement on pages 4 and 5, in the Chief Executive Officer's review and Business review on pages 6 to 14 and in the Finance Director's review on pages 18 and 19.

Results and dividends

The results for the year are shown in the Consolidated profit and loss account on page 30.

The Board does not recommend paying a dividend as it believes that it is in shareholders' best interests to reinvest all profits in the business at this stage of the Company's development.

Research and development

The Company is wholly engaged in research and development both on behalf of customers and on its own account.

Political and charitable donations

The Company made charitable donations of £857 and no political donations during the year.

Payment of suppliers

The Company does not follow any code or statement on payment practice, but values its relationship with its many suppliers and the Company's policy is to pay amounts due for settlement in accordance with the negotiated terms of trade.

The number of days' purchases outstanding at the end of the year was 43 days for the Group and the Company (1998: 41 days).

Year 2000

The Company has experienced minimal disruption in the two months since the new year from the so-called millennium bug, and the Directors believe it is unlikely there will be a significant further impact.

Health, safety and environmental protection policies

The Directors believe that maintaining high standards in implementing appropriate health, safety and environmental protection policies is essential. The Company aims to meet or exceed all applicable regulations, particularly with respect to health and safety and the treatment of waste and emissions into the atmosphere.

Waste materials are recycled where possible, and hazardous waste is catalogued and handled by licensed, specialist disposal companies. Indicators of environmental emissions have been established to facilitate performance measurement and improvement.

Employment policies

The Directors are committed to maintaining and developing communication and consultation processes with employees.

Employees are encouraged to be involved directly in the performance of the Group through a profit related bonus scheme, share option schemes, performance reviews, and training and development opportunities. It is the policy of the Group that there should be no unfair discrimination in recruiting and promoting staff, including applicants who are disabled.

Directors and Directors' interests

Profiles of all the Directors who served throughout the year appear on page 21.

	Interest at end of year	Interest at beginning of year
N Cross	7,000,000	7,000,000
I Laing	7,000,000	7,000,000
S Davies	3,375,000	3,375,000
E Moses	1,716,233	459,300
M Polywka	443,603	437,500
R Brimblecombe	3,448	3,448
M Hay	3,448	3,448
L Reynders	–	–

R Brimblecombe and M Hay had a non-beneficial interest in 349,680 shares at the end of the year.

There have been no changes in Directors' interests between 1 January and 28 February 2000 except that the non-beneficial interest of R Brimblecombe and M Hay had reduced to 335,785.

Details of Directors' share options are included in the Remuneration Report on pages 26 to 28.

Two additional independent Non-executive Directors will be appointed on 1 March 2000 and will be seeking reappointment at the Annual General Meeting. They are Dr R Dow and M Redmond. Their profiles appear on page 21.

Substantial shareholdings

The following are interests, of which the Directors are aware, of 3% or more of the Company's issued share capital at 28 February 2000:

N Cross	17.0%
I Laing	17.0%
3i Group plc	12.5%
S Davies	8.2%
University of Oxford	5.5%
Equitable Life Assurance Society	5.3%
E Moses	4.2%
Standard Life Investments	3.3%

Annual General Meeting

The notice convening the Annual General Meeting of the Company is set out at the end of the report and financial statements. The AGM will be held at 10 am on 3 May 2000 at 151 Milton Park, Abingdon, Oxon OX14 4SD.

Resolution 7 set out in the Notice of meeting provides the Directors with authority to allot securities in the Company up to an aggregate nominal value of £1,375,784. If passed, resolution 7 will enable the Directors to allot a maximum of 13,757,843 ordinary shares representing approximately 33% of the issued ordinary share capital as at 28 February 2000. The Directors have no present intention of exercising the authority which would be conferred by resolution 7.

Resolution 8 set out in the Notice of meeting is a special resolution disapplying pre-emption rights and granting authority to the directors, without the need for further shareholder approval, to make allotments of equity securities for cash by way of (a) pre-emptive issues and (b) other issues up to an aggregate nominal value of £206,367. The authority conferred by resolution 8 is limited as regards issues of shares other than by way of pre-emptive issues to approximately

5% of the issued ordinary share capital of the Company. This amounted to 2,063,676 ordinary shares at 31 December 1999 and 28 February 2000. In relation to the exercise of this authority the Company will have regard to the guidelines published by the investment committees of both the Association of British Insurers and the National Association of Pension Funds. The authorities sought by these resolutions are to replace the existing powers of the Directors which expire at the conclusion of the Annual General Meeting. The authorities sought will expire at the conclusion of the Annual General Meeting to be held in 2001.

KPMG Audit Plc have expressed their willingness to continue as auditors and their reappointment is proposed in accordance with Section 385 of the Companies Act 1985. It is also proposed that the Directors be given authority to set the auditors' remuneration.

Approved by the Board on 28 February 2000 and signed on its behalf by:

M Hay Finance Director and Company Secretary

Statement of directors' responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Directors' statement on corporate governance

The Board applies the principles of the Combined Code as follows:

Board of Directors

Throughout 1999 the Board comprised a Non-executive Chairman and four other Non-executive Directors together with the Chief Executive Officer and two other Executive Directors.

As part of its development as a public company, the Company has now decided to appoint two additional independent Non-executive Directors, Dr Robert Dow and Mr Michael Redmond on 1 March 2000. They will seek reappointment at the Company's Annual General Meeting in May when the present Chairman, Dr Roger Brimblecombe, will retire.

The new Chairman will be Dr Edwin Moses, the current Chief Executive Officer, who will be an Executive Chairman. One of the existing Executive Directors, Dr Mario Polywka, will become Chief Executive Officer.

The Board meets eight times a year to provide leadership and consider significant matters, the details of which have been distributed in advance. Further meetings may be held to consider urgent issues at short notice.

Relations with shareholders

The Company engages in a dialogue with its institutional shareholders through a programme of meetings and presentations at which the Company is represented primarily by the Chief Executive Officer and the Finance Director. The Company distributes its Annual Report and interim statements to all shareholders and welcomes the opportunity to meet with private shareholders at the Annual General Meeting. The Company also uses its web site www.oai.co.uk to communicate with shareholders and potential shareholders.

Nominations Committee

In 1999 the Board constituted a Nominations Committee comprising the Chairman, the Chief Executive Officer and the Deputy Chairman. The Committee is chaired by Dr Brimblecombe and meets as required to select and propose to the Board suitable candidates for appointment as Executive and Non-executive Directors.

Directors' remuneration

The Remuneration Committee, consisting entirely of Non-executive Directors, sets the employment conditions and remuneration of Executive Management including the Executive Directors. It also reviews the Company policies for remuneration of all staff, including participation in the Company's share option schemes. Equivalent decisions for Non-executive Directors are taken by the remaining members of the Board.

Further details are given in the Remuneration Report.

Accountability and audit

In order to be able to present a balanced and understandable view of the Company's position and prospects the Board reviews and approves the Company's three year strategic plan annually. Budgets are prepared twice a year, each one covering the next twelve months, and are reviewed and approved by the Board. Monthly operating results are reported to the Board which retains authority for key strategic, financial, investment and operational matters.

The Audit Committee comprises four Non-executive Directors chaired by Mr Cross, a fellow of the Institute of Chartered Accountants in England and Wales. Its detailed terms of reference include reviewing the effectiveness of the Company's system of internal controls, monitoring the relationship with the Company's auditors and reviewing financial results prior to publication, including considering the appropriateness of the going concern assumption. Accordingly the Committee meets at least twice a year.

After making enquiries and taking into account the Group's cash resources, cash generating capability and investment plans the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

The Board acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Combined Code introduced a requirement that the Directors review the effectiveness of the Group's system of internal controls which extends the existing requirement in respect of financial controls to cover all controls including financial, operational, compliance and risk management. In September 1999 guidance for directors on internal control (called the Turnbull guidance) was published and the Board confirms that it has established procedures to comply with this guidance for the year ending on 31 December 2000. In respect of the year under review, the Board reports only on the system of internal financial controls, taking advantage of the transitional arrangement.

Key elements of the Group's system of internal financial controls include the following:

- A corporate culture and control environment which requires high standards of performance in every aspect of the Group's operations, and high ethical standards in dealing with all stakeholders of the Group – employees, customers, suppliers, shareholders and the community.
- The continuing development of the management team, systems and organisational structure to match the rapid growth in the Group's operations.
- A clear delegation of responsibility and authority to executive management of the necessary calibre to discharge their responsibilities effectively, as well as control measures including physical controls, segregation of duties and management review.
- A formal planning cycle involving the full range of Group activities from individual profit centre performance by month to strategic direction over several years.
- Regular Board meetings to consider those key strategic, financial and operational matters over which it has reserved authority and to monitor performance against detailed pre-authorised plans and budgets, thereby maintaining full and effective control.

25. Oxford Asymmetry International plc

Directors' statement on compliance with the provisions of the Combined Code

The Board believes that it has complied with the provisions of the Combined Code in a manner appropriate to the size, complexity and maturity of the Company.

The composition of the Board and its committees does not comply with the Combined Code due to the degree of independence of its Non-executive Directors:

– Mr Cross, Professor Davies and Mr Laing are founders of the Company and remain significant shareholders. The Company believes that their long knowledge of and close involvement with the Company is of continuing benefit.

– Dr Brimblecombe and Dr Reynders participate in the Company's share option schemes as they were granted options during service as Directors prior to the Company's flotation in 1998. The Board believes that such participation is valuable and demonstrates their close involvement with the Company.

– Dr Brimblecombe is a Director of several companies which have become customers of the Company since his original appointment to the Board in 1995. Dr Brimblecombe does not participate in decisions relating to business between the Company and these customers. The Board believes this is a natural and important validation of the Company's services.

Additional information is given in note 23 of the financial statements dealing with related party transactions.

The Board believes that it is appropriate that Directors who have played an important role in the Company's development prior to flotation should also provide continuity in service for a reasonable period after flotation. The 1998 Directors' statement on compliance with the Combined Code envisaged that the composition of the Board would change with the appointment of independent Non-executive Directors over time, and the appointment of Dr Dow and Mr Redmond confirms that trend.

26. Oxford Asymmetry International plc

Remuneration report

The Remuneration Committee acts as a sub-committee of the Board and is comprised entirely of Non-executive Directors. The Committee is chaired by Dr Brimblecombe and the other members are Mr Cross, Professor Davies and Mr Laing. The Committee meets regularly and has access to professional advice from both inside and outside the Company. Mr Melvin, the Human Resources Director acts as Secretary to the Committee.

The primary purpose of the Committee is to ensure that the Company's Directors and senior Executives are fairly rewarded for their individual contributions to the Company's overall performance.

The Committee also reviews the remuneration policies for the Company as a whole. In setting its policy the Committee considers market position for remuneration packages, basic salaries for key employees, service contracts including notice provisions, benefits including pensions, life assurance, private healthcare and car allowances. The committee will also review longer-term remuneration policy on share options for all employees and any proposals for bonus schemes.

The emoluments of the Executive Management Team which are approved by the Committee, comprise a base salary, car allowance, pension contribution, bonus, share options and other benefits. In setting the level of base salary the Committee obtains independent advice from a leading firm of compensation and benefit consultants.

The bonus scheme for the Executive Management Team for 1999 was set by the Committee to make a payment only for the achievement of turnover growth in excess of 20% and for earnings per share growth in excess of 20%. Each element had a maximum potential of 25% of basic salary and was conditional on maintenance or improvement of profit levels. The Committee considers that the performance-related element of remuneration is represented through the Directors'

participation in the bonus scheme mentioned above and in a share option scheme which aligns their interests with those of the shareholders.

The Committee will continue to review all the elements of the remuneration package of the Executive Directors and the other members of the Executive Management Team to ensure that packages attract and retain executives of the right calibre and provide them with an adequate incentive to achieve the Company's objectives.

Share option schemes

The Committee believes company-wide participation in a share option scheme enhances and strengthens the concept of ownership and involvement in the Company amongst all employees.

All staff are offered share options of the equivalent value to half of their joining salary with an exercise date to be three years after the granting of the options. As an additional reward and incentive, all staff have the potential to be offered further options, after serving for 12 months, should they be assessed to be superior performers. Options are granted, except to senior management and Directors, without performance conditions.

For options granted in 1999 for Directors and senior managers the conditions were as follows:

One third of the options granted is exercisable after three years, the condition is 15% EPS growth per year (45% after 3 years).

A further third is exercisable after four years – where the condition is 45% EPS growth plus RPI growth plus 5% for the fourth year.

A further third is exercisable after five years with the condition of 45% EPS growth for the first three years plus RPI growth plus 5% for each of the next two years.

27. Oxford Asymmetry International plc

Directors' share options were:

	Interest at start of year	Exercised in year	Granted in year	Interest at end of year
E Moses	1,329,870	1,250,000	91,112	170,982
M Polywka	143,765	–	38,244	182,009
M Hay	191,690	–	31,494	223,184
R Brimblecombe	59,900	–	–	59,900
L Reynders	29,000	–	–	29,000

Dr Moses exercised his options in July at a price of 2p per share. The market value of the shares at the time was £3.71 per share.

The details of the options for each Director, all of which were granted for nil consideration, are as follows:

Director	No of shares under option	Exercise price	Date of grant	Period exercisable
E Moses	3,990	£1.25	23/12/97	24/12/00 – 23/12/07
	75,880	£1.25	23/12/97	24/12/00 – 23/12/04
	45,556	£4.45	11/3/99	12/3/02 – 11/3/06
	45,556	£4.45	11/3/99	12/3/03 – 11/3/06
M Polywka	3,990	£1.25	23/12/97	24/12/00 – 23/12/07
	3,990	£1.25	23/12/97	24/12/01 – 23/12/07
	5,995	£1.25	23/12/97	24/12/02 – 23/12/07
	43,930	£1.25	23/12/97	24/12/00 – 23/12/04
	43,935	£1.25	23/12/97	24/12/01 – 23/12/04
	41,925	£1.25	23/12/97	24/12/02 – 23/12/04
	12,748	£4.45	11/3/99	12/3/02 – 11/3/06
	12,748	£4.45	11/3/99	12/3/03 – 11/3/06
	12,748	£4.45	11/3/99	12/3/04 – 11/3/06
M Hay	7,985	£1.25	23/9/97	24/9/00 – 23/9/07
	7,985	£1.25	18/8/97	19/8/01 – 18/8/07
	7,990	£1.25	18/8/97	19/8/02 – 18/8/07
	55,910	£1.25	23/9/97	24/9/00 – 23/9/04
	55,915	£1.25	18/8/97	19/8/01 – 18/8/04
	55,905	£1.25	18/8/97	19/8/02 – 18/8/04
	10,498	£4.45	11/3/99	12/3/02 – 11/3/06
	10,498	£4.45	11/3/99	12/3/03 – 11/3/06
	10,498	£4.45	11/3/99	12/3/04 – 11/3/06
R Brimblecombe	59,900	£1.25	23/12/97	24/12/00 – 23/12/04
L Reynders	29,000	£1.86	6/2/98	7/2/01 – 6/2/05

28. Oxford Asymmetry International plc
Remuneration report continued

The market price of Oxford Asymmetry International plc shares on 31 December 1999 was £3.265 and the range during the year was £2.55 to £5.74.

Pensions

The Company has established a Group Personal Pension Plan for the benefit of all its employees and Executive Directors. The pension plan funds are managed by Legal & General. The Company contributes to this fund (or other personal pension funds if an employee so elects) providing that the employee or Director also contributes. Pension contributions for Directors are only paid on basic salary. Current levels of contribution range from 2.5% to 5% with the exception of the Chief Executive which is 10% of basic salary.

During the year the Remuneration Committee commissioned and received two reports from its pension advisors, Bacon & Woodrow, in respect of Executive and senior management pension

arrangements. Following their recommendations the Remuneration Committee increased the life assurance benefit for all employees to four times basic salary.

Service contracts

The Executive Directors' service contracts have a notice provision of six months on either side as do other members of the Executive Management Team.

The appointment of the Chairman is for one year from May 1999 and the appointment of all other Non-executive Directors is for two years from February 1998.

From 1 March 2000 Dr Dow and Mr Redmond, neither of whom is engaged on a service contract, will have appointments for two years. The other Non-executive Directors will have appointments with the same terms of reference as their letters of appointment but with a term of one year.

Directors' remuneration

	Salary/fees £000	Bonus £000	Benefits £000	1999 Total £000	1998 Total £000	1999 Pension £000	1998 Pension £000
E Moses	140	25	10	175	147	14	12
M Hay	97	17	9	123	113	5	3
M Polywka	95	17	9	121	97	4	4
R Brimblecombe	33	–	–	33	32	–	–
N Cross	18	–	–	18	–	–	–
S Davies	18	–	–	18	–	–	–
I Laing	18	–	–	18	–	–	–
L Reynders	18	–	–	18	18	–	–
Totals	437	59	28	524	407	23	19

29. Oxford Asymmetry International plc
**Auditor's report to the members of
Oxford Asymmetry International plc**

We have audited the financial statements on pages 30 to 41.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 23 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

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

We review whether the statement on pages 24 and 25 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, 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 form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor

28 February 2000

30.Oxford Asymmetry International plc
Consolidated profit and loss account
for the year ended 31 December 1999

	Note	1999 £000	1998 £000
Turnover	2	20,213	14,923
Cost of sales		(12,318)	(8,672)
Gross profit		7,895	6,251
Research and development costs		(919)	(980)
Marketing costs		(1,015)	(996)
Administrative expenses		(3,004)	(1,962)
Other operating income		27	474
Operating profit		2,984	2,787
Net interest receivable and similar income	6	688	925
Profit on ordinary activities before taxation	3-5	3,672	3,712
Tax on profit on ordinary activities	7	(5)	(16)
Profit for the financial year		3,667	3,696
Non-equity dividends	8	-	(31)
Profit retained for the year		3,667	3,665
Retained profit brought forward		5,822	2,157
Retained profit carried forward		9,489	5,822
	Note	Pence	Pence
Basic earnings per share	9	9.13	9.77
Diluted earnings per share	9	8.69	9.01

There were no material recognised gains or losses in either year other than the profit for the year, which was entirely derived from continuing activities.

31.Oxford Asymmetry International plc

Balance sheets

at 31 December 1999

	Note	Group 1999 £000	Company 1999 £000	Group 1998 £000	Company 1998 £000
Fixed assets					
Tangible assets	10	23,027	23,022	15,364	15,351
Investments	11	10	11	57	58
		23,037	23,033	15,421	15,409
Current assets					
Stocks	12	1,716	1,716	1,215	1,215
Debtors	13	5,141	5,139	3,613	3,631
Investment	14	7,563	7,563	13,037	13,037
Cash at bank and in hand	15	1,953	1,911	1,692	1,673
		16,373	16,329	19,557	19,556
Creditors: amounts falling due within one year	16	(5,087)	(5,094)	(4,300)	(4,355)
Net current assets		11,286	11,235	15,257	15,201
Net assets		34,323	34,268	30,678	30,610
Capital and reserves					
Called up share capital	17	4,128	4,128	4,128	4,128
Share premium account	18	20,706	20,706	20,728	20,728
Profit and loss account	18	9,489	9,434	5,822	5,754
	20	34,323	34,268	30,678	30,610

These financial statements were approved by the Board of Directors on 28 February 2000 and were signed on its behalf by:

E Moses Director

M Hay Director

Consolidated cash flow statement

for the year ended 31 December 1999

	Note	1999 £000	1998 £000
Net cash inflow from operating activities	24	4,839	4,448
Returns on investments and servicing of finance	25	676	745
Taxation			
Corporation tax paid		(5)	(52)
Capital expenditure			
Payments to acquire fixed assets		(10,748)	(8,803)
Acquisitions			
Initial acquisition expenses		(43)	–
Cash outflow before management of liquid resources and financing		(5,281)	(3,662)
Management of liquid resources			
Movement of cash on deposit		5,474	(13,037)
Financing			
Net proceeds from share issue		(25)	18,602
Exercise of share options		93	47
Repayment of bank loan		–	(82)
Net cash inflow from financing		68	18,567
Increase in cash in the year		261	1,868
Reconciliation of net cash flow to movement in net funds	26		
Increase in cash in the year		261	1,868
Repayment of bank loan		–	82
(Decrease)/Increase in cash on deposit		(5,474)	13,037
Movement in net funds in the year		(5,213)	14,987
Net funds/(debt) at 1 January		14,729	(258)
Net funds at 31 December		9,516	14,729

33. Oxford Asymmetry International plc

Notes to the financial statements

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules.

The Group financial statements incorporate the financial statements of Oxford Asymmetry International plc and all its subsidiary companies prepared to 31 December 1999.

The results of subsidiary companies acquired during the year are included from their date of acquisition. Goodwill, being the excess of the fair value of the consideration over the fair value of the net assets acquired, is capitalised under intangible fixed assets in the balance sheet. The goodwill is then amortised through the profit and loss account, over its expected economic life.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

Research and development expenditure

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

Fixed assets and depreciation

Depreciation is provided to write off the costs less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings – 10-15 years or over life of lease if lower

Plant and machinery – 10%-20% per annum

Fixtures and fittings – 20%-33% per annum

Where the entity does not have legal title to assets, but has substantially all the risks and rewards of ownership, these assets have been capitalised in the financial statements.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

For foreign subsidiaries, profits and losses are translated at the average exchange rate for the year, and assets and liabilities are translated at the rates ruling at the balance sheet date. The exchange differences arising from translating overseas investments are taken directly to reserves.

Financial instruments

The Group's financial instruments comprise cash and liquid resources and other items such as trade debtors and trade creditors that arise directly from its operations.

Pensions

The Group operates a defined contribution scheme. The assets of the scheme are held separately from those of the Group in an independently managed fund. The amount charged to the profit and loss account represents contributions payable to the funds in respect of the accounting period.

Government grants

Government grants are credited to operating profit in the period to which they relate.

Operating leases

Rental charges for "operating leases" are charged to the profit and loss account on a straight-line basis over the life of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Employee share ownership trust (ESOT)

The cost of shares acquired by the ESOT is included within fixed assets. The value of the shares is reviewed annually to ascertain whether there has been any diminution in their value. The loan previously taken out by the ESOT to purchase the shares has been repaid.

34. Oxford Asymmetry International plc
Notes to the financial statements continued

2. Analysis of turnover by geographical market

	1999 £000	1998 £000
United Kingdom	1,519	3,533
North America	7,447	6,955
Rest of World	11,247	4,435
	20,213	14,923

All turnover originates in the UK.

3. Profit on ordinary activities before taxation

	1999 £000	1998 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditor's remuneration for the Company and Group:		
Audit services	38	31
Other services provided by auditors and their associates	14	12
Depreciation and other amounts written off tangible fixed assets	2,843	1,546
Loss on disposal of fixed assets	74	66
Rentals payable under operating leases other than for plant and machinery	708	252
Government grants	(20)	(437)
Exchange gain	(56)	(31)

In addition to their remuneration detailed above the auditors charged £19,000 in respect of work performed on a potential acquisition. These costs were capitalised. In 1998 the auditors charged £139,000 in respect of work performed for the flotation of the Company.

4. Remuneration of Directors

	1999 £000	1998 £000
Directors' emoluments		
Remuneration for Executives	419	357
Amounts paid to defined contribution schemes	23	19
Fees payable to Non-executive Directors	105	50
	547	426

The aggregate of emoluments of the highest paid Director was £175,000 (1998: £147,000). Contributions of £14,000 (1998: £12,000) were paid into his personal pension scheme during the year. The aggregate gains made by the Directors on the exercise of options was £4,612,500 (1998: 125,000 options were exercised at a price of 10p per share. Since the Company's shares were not listed at that time the market value of the shares is unknown). The aggregate gain made by the highest paid Director was £4,612,500. Further details relating to emoluments, share options and Directors' pension entitlements are set out in the Remuneration report on pages 26 to 28.

35. Oxford Asymmetry International plc

5. Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category was as follows:

	Number of employees 1999	Number of employees 1998
Directors	3	3
Administration	23	13
Production, research and development	195	163
Marketing	7	8
	228	187

The aggregate payroll costs of these persons were as follows:

	1999 £000	1998 £000
Wages and salaries	6,277	4,686
Social security costs	610	430
Other pension costs	179	126
	7,066	5,242

6. Net interest receivable and similar income

	1999 £000	Restated 1998 £000
Bank interest receivable	703	935
Interest payable	(15)	(10)
	688	925

In previous years exchange gains were disclosed within net interest receivable. These have been reclassified within operating profit and are disclosed in note 3.

7. Taxation

	1999 £000	1998 £000
Corporation tax on profits for year	5	–
ACT paid on preference dividends	–	16
	5	16

The tax charge for the year has been reduced by the effect of accelerated tax allowances. Tax losses amounting to approximately £13,000,000 (1998: £9,000,000) are available to relieve future profits of the Group.

The amounts not provided for deferred taxation for both the Group and the Company are set out below:

	Group and Company 1999 £000	Group and Company 1998 £000
Difference between accumulated depreciation and capital allowances	6,679	4,496
Tax losses	(3,900)	(2,790)
	2,779	1,706

36. Oxford Asymmetry International plc
Notes to the financial statements continued

8. Dividends

	1999 £000	1998 £000
Preference shares dividend paid	–	31

9. Earnings per share

Basic earnings per share have been calculated by dividing the profit after preference dividends of £3,667,000 (1998: £3,665,000) by the weighted average number of ordinary shares of 40,184,065 (1998: 37,499,070).

Diluted earnings per share have been calculated by dividing the profit before preference dividends of £3,667,000 (1998: £3,696,000) by the weighted average number of ordinary shares of 42,221,515 (1998: 41,008,472). The dilution of the weighted average number of shares is attributable to the share options (2,037,449: 1998: 3,069,702) and in 1998 the convertible preference shares (439,700).

10. Tangible fixed assets

Group	Short leasehold improvements £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Assets under construction £000	Total £000
Cost					
At beginning of year	5,798	11,424	1,021	541	18,784
Additions	27	1,717	350	8,486	10,580
Disposals	–	(73)	(51)	–	(124)
Transfers	1,053	238	2,063	(3,354)	–
At end of year	6,878	13,306	3,383	5,673	29,240
Depreciation					
At beginning of year	311	2,692	417	–	3,420
Charge for year	548	1,793	502	–	2,843
Disposals	–	(24)	(26)	–	(50)
At end of year	859	4,461	893	–	6,213
Net book value					
At 31 December 1999	6,019	8,845	2,490	5,673	23,027
At 31 December 1998	5,487	8,732	604	541	15,364

10. Tangible fixed assets continued

Company	Short leasehold improvements £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Assets under construction £000	Total £000
Cost					
At beginning of year	5,798	11,421	1,007	538	18,764
Additions	27	1,717	344	8,486	10,574
Disposals	–	(71)	(35)	–	(106)
Transfers	1,053	238	2,063	(3,354)	–
At end of year	6,878	13,305	3,379	5,670	29,232
Depreciation					
At beginning of year	311	2,690	412	–	3,413
Charge for year	548	1,793	498	–	2,839
Disposals	–	(22)	(20)	–	(42)
At end of year	859	4,461	890	–	6,210
Net book value					
At 31 December 1999	6,019	8,844	2,489	5,670	23,022
At 31 December 1998	5,487	8,731	595	538	15,351

11. Fixed asset investments

Shares	Company and Group investment in own shares £000	Company investments in Group undertakings £000	Company Total £000
Cost			
At beginning of year		57	1
Disposals		(47)	–
At end of year		10	1
Net book value			
At 31 December 1999		10	1
At 31 December 1998		57	1
Shares in Group undertakings comprise:			£000
Subsidiary companies			1

38. Oxford Asymmetry International plc
Notes to the financial statements continued

11. Fixed asset investments continued

	Country of registration or incorporation	Principal activity	Percentage of ordinary shares held
Subsidiary companies			
Oxford Asymmetry International Inc	USA	Sales and Marketing	100%
Oxford Diversity Limited	England and Wales	Dormant	100%
Oxford Asymmetry Employee Share Trust Limited	England and Wales	ESOT	100%

All subsidiary companies are included in the consolidation.

In the opinion of the Directors, the investments in the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

The investment in own shares comprises 316,635 (1998: 1,731,985) 10p ordinary shares in Oxford Asymmetry International plc purchased by Oxford Asymmetry Employee Share Trust Limited. The beneficiaries of the trust fund established by the settlement are employees, former employees and dependants of employees of the Company. OAI has entered into a deed of indemnity with the vendor against any tax liability arising from the share transfer. Life insurance arrangements have been made to cover all such foreseeable tax liabilities.

At 31 December 1999, 216,150 (1998: 1,681,500) shares in the Company held by Oxford Asymmetry Employee Share Trust Limited are subject to options granted to the employees of the Company under the terms of the Company's Inland Revenue Approved Executive Share Option Scheme and Unapproved Executive Share Option Scheme. The aggregate of the exercise prices of these options amount to £145,000 (1998: £278,000). The earliest dates for the exercise of these options range from May 1999 to October 1999 and the latest dates from August 2003 to May 2006.

12. Stocks

	1999 £000	1998 £000
Raw materials and consumables	217	188
Work in progress	531	718
Finished goods	968	309
	1,716	1,215

13. Debtors

	1999 Group £000	1999 Company £000	1998 Group £000	1998 Company £000
Trade debtors	4,183	4,183	3,022	3,022
Amounts due from subsidiary undertakings	–	–	–	19
Other debtors	569	567	429	428
Prepayments and accrued income	389	389	162	162
	5,141	5,139	3,613	3,631

14. Current asset investment

	1999 £000	1998 £000
Cash on deposit	7,563	13,037

39. Oxford Asymmetry International plc

15. Cash at bank and in hand

Cash balances do not include a five-year term deposit of £1,380,000 from Barclays Bank PLC maturing in December 2001 which has been netted against a five-year term loan of £1,380,000 of similar maturity, also from Barclays Bank PLC, against which the deposit is charged. The loan and deposit arise in connection with an EU employment creation subsidy received by the Company and not from the Company's normal financing operations. No net interest income or expense arises on the loan and deposit after the subsidy.

16. Creditors: amounts falling due within one year

	1999 Group £000	1999 Company £000	1998 Group £000	1998 Company £000
Trade creditors	841	841	756	756
Amounts owed to Group undertakings	–	54	–	56
Other creditors including taxation and social security:				
Corporation tax	–	–	–	–
Other taxes and social security	226	225	177	176
Other	278	232	211	211
Accruals and deferred income	3,742	3,742	3,156	3,156
	5,087	5,094	4,300	4,355

17. Called up share capital

	1999 Group £000	1999 Company £000	1998 Group £000	1998 Company £000
Authorised				
Ordinary shares of 10p each	6,000	6,000	6,000	6,000
Allotted, called up and fully paid				
Ordinary shares of 10p each	4,128	4,128	4,128	4,128

2,522,754 (1998: 3,762,863) shares in Oxford Asymmetry International plc are subject to options granted to the employees of the Company. The exercise dates of these options range from May 1999 to July 2009. The aggregate exercise prices of these options amount to £5,151,187 (£3,513,808). This includes options over shares held by Oxford Asymmetry Employees Share Trust Limited.

18. Reserves

Group	Share premium account £000	Profit and loss account £000
At beginning of year	20,728	5,822
Share issue costs relating to prior year	(22)	–
Profit retained for the year	–	3,667
	20,706	9,489

40. Oxford Asymmetry International plc
Notes to the financial statements continued

18. Reserves continued

Company	Share premium account £000	Profit and loss account £000
At beginning of year	20,728	5,754
Share issue costs relating to prior year	(22)	–
Profit retained for the year	–	3,680
	20,706	9,434

19. Holding Company profit and loss account

In accordance with Section 230 of the Companies Act 1985 a separate profit and loss account for the holding company is not presented. Of the profit for the year £3,680,000 (1998: £3,642,000) has been dealt with in the financial statements of the holding company.

20. Reconciliation of movement in shareholders' funds

	1999 Group £000	1999 Company £000	1998 Group £000	1998 Company £000
Profit for the year	3,667	3,680	3,665	3,642
New share capital subscribed	–	–	20,000	20,000
Share issue costs	(22)	(22)	(1,401)	(1,401)
Net addition to shareholders' funds	3,645	3,658	22,264	22,241
Opening shareholders' funds	30,678	30,610	8,414	8,369
Closing shareholders' funds	34,323	34,268	30,678	30,610

21. Pension scheme

The Group operates a group personal pension plan. The pension charge for the year represents contributions payable by the Group to the fund (and to employees' own personal pension schemes) and amounted to £179,000 (1998: £126,000).

Contributions amounting to £Nil (1998: £Nil) were payable to the fund at 31 December.

22. Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	1999 £000	1998 £000
Contracted	7,274	1,630

(b) Annual commitments under non-cancellable operating leases are as follows:

	1999 Land and buildings £000	1998 Land and buildings £000
Operating leases which expire:		
Within one year	–	–
Between two to five years	79	236
Over five years	828	671
	907	907

41. Oxford Asymmetry International plc

23. Related party transactions

The Company paid £708,000 (1998: £252,000) in rent to Milton Park Limited of which N Cross and I Laing are Directors. The Directors consider this rental is determined on an arm's length basis.

R Brimblecombe is a director of Vanguard Medica Group plc, Vertex Pharmaceuticals Inc and Ontogeny Inc. The Company made sales of £48,000 (1998: £1,212,000), £1,716,000 (1998: £2,076,000) and £550,000 (1998: £Nil) respectively to these companies. At the year end, the Company was owed £113,000 (1998: £477,000) from Vanguard Medica Group plc, £156,000 (1998: £185,000) from Vertex Pharmaceuticals Inc and £Nil (1998: £Nil) from Ontogeny Inc. The Directors consider the terms of trade with these companies are on an arm's length basis.

Under an agreement dating from 1994, the Company pays an amount equal to 5% of its profits to the University of Oxford, specifically to promote research in certain fields of chemistry, under the direction of Professor S Davies. This research funding obligation expired at the end of 1999, and in 1999 an expense of £192,000 (1998: £194,000) has been accrued.

24. Net cash inflow from operating activities

	1999 £000	1998 £000
Operating profit	2,984	2,787
Depreciation	2,843	1,546
Increase in stock	(501)	(946)
Increase in debtors	(1,442)	(797)
Increase in creditors	881	1,816
Loss on disposal of fixed assets	74	66
Gain on options exercised	–	(24)
Net cash inflow from operating activities	4,839	4,448

25. Returns on investments and servicing of finance

	1999 £000	1998 £000
Interest received	677	820
Interest paid	(1)	(11)
Non equity dividends paid	–	(64)
	676	745

26. Analysis of changes in net funds

	At 1 January 1999 £000	Cash flows £000	At 31 December 1999 £000
Cash at bank and in hand	1,692	261	1,953
Cash on deposit	13,037	(5,474)	7,563
Total	14,729	(5,213)	9,516

Five year summary**Consolidated profit and loss account**

	1999 £000	1998 £000	1997 £000	1996 £000	1995 £000
Turnover	20,213	14,923	10,143	5,641	2,771
Gross profit	7,895	6,251	3,936	1,939	984
Operating profit	2,984	2,787	1,964	551	155
Profit on ordinary activities before tax	3,672	3,712	2,041	608	302
Taxation on ordinary activities	(5)	(16)	(36)	13	(13)
Non equity dividends	–	(31)	(176)	–	–
Profit retained for year	3,667	3,665	1,829	621	289

Consolidated balance sheet

	1999 £000	1998 £000	1997 £000	1996 £000	1995 £000
Tangible fixed assets	23,027	15,364	7,871	4,615	3,178
Investments	10	57	81	81	–
Stocks	1,716	1,215	269	121	97
Debtors	5,141	3,613	2,701	1,351	670
Cash at bank and on investment	9,516	14,729	26	2,677	1,203
Creditors: due within one year	(5,087)	(4,300)	(2,452)	(1,675)	(1,725)
Net current assets	11,286	15,257	544	2,474	245
Creditors: due after more than one year	–	–	(82)	(633)	(432)
Net assets	34,323	30,678	8,414	6,537	2,991

Employees

	1999	1998	1997	1996	1995
Average number of employees	228	187	117	71	39

43. Oxford Asymmetry International plc Notice of meeting

Notice is hereby given that the 2000 Annual General Meeting of Oxford Asymmetry International plc will be held at 151 Milton Park, Abingdon, Oxon OX14 4SD at 10 am on 3 May 2000 to transact the following business, with resolutions 1 to 7 being proposed as ordinary resolutions and resolution 8 as a special resolution:

Resolutions

1. To receive the reports of the Directors and auditors and the financial statements for the year ended 31 December 1999.

To reappoint the following Directors retiring by rotation:

2. Dr Mario Polywka

3. Malcolm Hay

To reappoint the following Directors appointed by the Board since the last Annual General Meeting:

4. Dr Robert Dow

5. Michael Redmond

Profiles of the Directors seeking reappointment are on page 21.

6. To reappoint KPMG Audit Plc as the Company's auditor to hold office until the conclusion of the next General Meeting at which financial statements are laid before the Company and to authorise the Directors to determine their remuneration.

7. THAT the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £1,375,784, which authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

8. THAT the Board be and it is hereby empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94 of the said Act) for cash, pursuant to the authority conferred by the previous resolution, as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, PROVIDED THAT this power shall be limited to:

(a) the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of ordinary shareholders on a fixed record date are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever); and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £206,367

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer of agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By order of the Board

Malcolm Hay Finance Director and Company Secretary

22 March 2000

Registered Office
151 Milton Park
Abingdon, Oxon
OX14 4SD

Notes

1. Shareholders are entitled to appoint a proxy or proxies to attend the meeting and, on a poll, vote on their behalf. A proxy need not be a shareholder.

2. Directors' service agreements are available for inspection during normal business hours at the Company's registered office. The register of Directors' (and their families') interests in the ordinary shares of the Company will also be available for inspection during the 15 minutes prior to the meeting and throughout the meeting.

Directors and advisers

Directors

Dr Roger Brimblecombe *Non-executive Chairman retiring at AGM*
Dr Edwin Moses *Chief Executive Officer and prospective Executive Chairman*
Nicholas Cross *Non-executive deputy Chairman*
Professor Stephen Davies *Non-executive Director*
Dr Robert Dow *Non-executive Director*
Malcolm Hay *Finance Director*
Ian Laing *Non-executive Director*
Dr Mario Polywka *Chief Operating Officer and prospective Chief Executive Officer*
Michael Redmond *Non-executive Director*
Dr Ludo Reynders *Non-executive Director*

Company secretary

Malcolm Hay

Head office and registered office

151 Milton Park
Abingdon
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OX14 4SD

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8 Bankhead
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Stockbrokers

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Financial advisers

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London EC2M 2PP

Solicitors

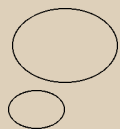
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Thank you to all the staff who appear
in this year's annual report.

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