

ACAMBIS PLC
Form 20-F/A
October 03, 2003

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 20-F/A

(Amendment No. 2)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR-
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2002
- OR-
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED) for the transition period from _____ to _____

Commission File Number: 000-30126

Acambis plc

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

England and Wales

(Jurisdiction of incorporation or organization)

Peterhouse Technology Park, 100 Fulbourn Road, Cambridge, CB1 9PT England

(Address of principal executive office)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

ORDINARY SHARES OF 10 PENCE EACH

(Title of Class)

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of period covered by this Annual Report
93,011,883 ordinary shares of 10p each as of December 31, 2002

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

Indicate by check mark which financial statement item the Registrant has elected to follow:

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EXPLANATORY NOTE

This Annual Report on Form 20-F/A (Form 20-F/A) is being filed as Amendment No. 2 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2002 (Form 20-F). We are filing this Amendment No. 2 to our Annual Report on Form 20-F/A to amend Item 17. Financial Statements and Item 19. Exhibits contained in our Annual Report on Form 20-F for the fiscal year ended December 31, 2002, originally filed with the Securities and Exchange Commission on June 30, 2003 and as amended by Amendment No. 1 to our Annual Report on Form 20-F/A filed on July 15, 2003.

Item 17 of this Form 20-F/A for the fiscal year ended December 31, 2002 has been amended to include a revised Report of Independent Accountants related to the financial statements of Acambis plc (the Registrant) as of December 31, 2002 and for the year then ended and to include a copy of the Report of Independent Auditors related to the financial statements of Acambis plc as of December 31, 2001 and for each of the two years in the period ended December 31, 2001, which were audited by independent auditors who have ceased operations and which was inadvertently omitted from the original Form 20-F filed on June 30, 2003. These amendments are being made to ensure compliance with the Auditing Standards Board of the AICPA revised reporting framework (AU 508) for successor auditor reporting when the predecessor auditor has ceased operations.

In addition, Item 17 of this Form 20-F/A has been amended to remove the heading restated from the 2001 and 2000 columns of the group profit and loss account and to correct the heading and one reference in footnote A (both contained on page 18 of the financial statements included in the Registrant's annual report), both of which incorrectly described the reclassification of certain line items in the Form 20-F as previously filed.

Item 19 of this Form 20-F/A has been revised to include certain currently dated certifications of our principal executive officer and principal financial officer, and a current consent of our independent accountants, PricewaterhouseCoopers LLP.

This Form 20-F/A consists of a cover page, this explanatory note, the information required by Item 17 (Financial Statements) and Item 19 (Exhibits) of Form 20-F, a signature page, and the principal executive officer and principal financial officer certifications required to be included herein. In accordance with Rule 12b-15 promulgated pursuant to the Securities Exchange Act of 1934, as amended, the complete text of Item 17 and Item 19, as amended, is included or incorporated by reference herein. However, with respect to the financial statements, other than the amendments listed above, no changes have been made.

This Form 20-F/A does not reflect events occurring after the filing of the original Form 20-F, and does not modify or update the disclosures therein in any way other than as required to reflect the amendments described above.

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Part III

Item 17. Financial Statements

(17b) INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACAMBIS PLC

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Acambis plc

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of profit and loss, of total recognized gains and losses, and of cash flows present fairly, in all material respects, the financial position of Acambis plc and its subsidiaries at December 31, 2002, and the results of their operations and their cash flows for the year then ended December 31, 2002, in conformity with accounting principles generally accepted in the United Kingdom. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of Acambis plc as of December 31, 2001, and for each of the two years in the period ended December 31, 2001, prior to the revisions discussed in Note 1, were audited by other independent auditors who have ceased operations. Those independent auditors expressed an unqualified opinion on those financial statements in their report dated April 15, 2002.

Accounting principles generally accepted in the United Kingdom vary in certain important respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of consolidated net income for the year ended December 31, 2002 and the determination of consolidated shareholders' equity at December 31, 2002 to the extent summarized in Note 29 to the consolidated financial statements.

As discussed above, the financial statements of Acambis plc as of December 31, 2001, and for each of the two years in the period ended December 31, 2001, were audited by other independent auditors who have ceased operations. As described in Note 1, certain items in these financial statements have been revised. We audited the adjustments described in Note 1 that were applied to revise the 2001 and 2000 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2001 or 2000 financial statements of the Company other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2001 or 2000 financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Cambridge, UK

27 March 2003

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The audit report of Arthur Andersen (Andersen), our former independent public accountant, is included in this Annual Report on Form 20-F/A for purposes of including the Andersen's report on our financial statements for the years ended December 31, 2000 and 2001.

The audit report set forth below is a copy of the audit report, dated April 15, 2002, previously issued by Andersen which was included in our Annual Report on Form 20-F for 2001 filed with the SEC on April 29, 2002. We are including this copy of Andersen's April 15, 2002 audit report pursuant to Rule 2-02(e) of Regulation S-X under the Securities Exchange Act of 1934, as amended.

This audit report has not been reissued by Andersen in connection with the filing of this Form 20-F/A.

Independent auditors' report to the shareholders of Acambis plc

We have audited the financial statements of Acambis plc for the year ended 31 December 2001 which comprise the Group profit and loss account, balance sheets, Group cash flow statement, Group statement of total recognised gains and losses and the related notes numbered 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of Directors' responsibilities. Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements, United Kingdom and United States Auditing Standards and the Listing Rules of the Financial Services Authority.

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

We review whether the Corporate Governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Introduction, Highlights, Chairman's statement, The worldwide vaccines market, The product pipeline, An integrated business, Strategy, Operating overview, Financial overview, Further information required by Form 20-F, Summarised Group statements, Board of Directors, Directors' report, Corporate Governance statement, Remuneration report, Shareholder information, Company information and advisors, Index and Cross-reference to Form 20-F. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board, and with generally accepted auditing standards in the United States. 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 circumstances of the Company and of the Group, 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

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In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2001 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and present fairly in all material respects the consolidated financial position of the Group at 31 December 2001 and 2000 and the consolidated results of its operations and cashflows for each of the three years in the period ended 31 December 2001 in conformity with generally accepted accounting principles in the United Kingdom.

Reconciliation to US GAAP

Accounting practices used by the Group in preparing the accompanying financial statements conform to generally accepted accounting principles in the United Kingdom, but do not conform with accounting principles generally accepted in the United States. A description of these differences and a complete reconciliation of Group net loss and shareholders' equity to United States generally accepted accounting principles is set forth in note 29.

Arthur Andersen, Chartered Accountants and Registered Auditors

Betjeman House

104 Hills Road

Cambridge CB2 1LH

15 April 2002

Table of Contents(17c) **GROUP PROFIT AND LOSS ACCOUNT**

(A)	Notes	2002 £ 000	2001 £ 000	2000 £ 000
B) Turnover	2	79,716	8,914	6,264
A) Cost of sales		(49,249)	(5,063)	(517)
<hr/>				
Gross profit		30,467	3,851	5,747
Research and development costs		(16,299)	(12,594)	(12,195)
Administrative costs (including amortisation of goodwill)	3	(4,257)	(3,499)	(2,949)
<hr/>				
Group operating profit/(loss)	4	9,911	(12,242)	(9,397)
Share of loss of joint venture	14(d)	(171)	(410)	(2,138)
<hr/>				
Total operating profit/(loss) before exceptional items (Group and joint venture)		9,740	(12,652)	(11,535)
Exceptional items:				
Profit on disposal of fixed asset investment				221
Profit on sale of discontinued operations				414
Amounts written off fixed asset investment	5	(85)	(423)	(670)
<hr/>				
Profit/(loss) on ordinary activities before finance charges		9,655	(13,075)	(11,570)
<hr/>				
Interest receivable		685	857	983
Interest payable and similar charges	6	(1,211)	(214)	(216)
Exchange gain/(loss) on foreign currency borrowings	18	449	(126)	(271)
<hr/>				
B) Profit/(loss) on ordinary activities before taxation	7	9,578	(12,558)	(11,074)
<hr/>				
C) Taxation	10	(3)	131	
<hr/>				
Profit/(loss) on ordinary activities after taxation (being retained profit/(loss) for the financial year)		9,575	(12,427)	(11,074)
<hr/>				
Earnings/(loss) per ordinary share (basic)	11	10.0p	(13.7)p	(13.9)p
Earnings/(loss) per ordinary share (fully diluted)	11	9.7p	(13.7)p	(13.9)p

A statement of movements on reserves is given in note 22.

The accompanying notes are an integral part of this Group profit and loss account.
All amounts in 2002 arise from continuing operations (see note 4).

(17d) **GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the year ended 31 December

	2002 £ 000	2001 £ 000	2000 £ 000
Profit/(loss) for the year	9,575	(12,427)	(11,074)
Gain/(loss) on foreign currency translation	1,276	(314)	(817)
<hr/>			
Total recognised gains and losses for the year	10,851	(12,741)	(11,891)

The accompanying notes are an integral part of this Group statement of total recognised gains and losses.

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(A) **Cost of sales reclassification**

The Group has begun to classify the costs directly attributable to funded research and vaccine manufacture programmes as cost of sales, rather than research and development expenditure. This is because the Directors believe this classification more appropriately reflects the nature of the arrangements into which the Group has entered. In the three financial years shown, cost of sales represent only those costs incurred on the two CDC smallpox vaccine contracts. The reclassification of 2001 and 2000 costs from R&D costs to cost of sales amounted to £5.1m and £0.1m respectively. There is no impact on net profit.

(B) **Turnover and profit**

The increase in turnover and the recording of a maiden profit in 2002 has principally been driven by the second smallpox vaccine contract with the US Government agency, the Centers for Disease Control and Prevention (CDC).

(C) **Taxation**

The tax charge relating to 2002 was negligible due to the availability of tax losses within the Group. We hope that when the remaining tax losses can be utilised, this will have the effect of lowering the effective tax rate.

THE INFORMATION CONTAINED IN THIS COLUMN HAS NOT BEEN AUDITED.

Table of Contents**(17e) GROUP BALANCE SHEET**

At 31 December

	Notes	2002 £'000	2001 £'000
Fixed assets			
Intangible assets: goodwill	12	13,641	14,845
Tangible assets	13	19,988	12,255
Investment in joint ventures:	14		
share of gross assets			915
share of gross liabilities			(848)
Other investments	14	1,100	1,640
		34,729	28,807
Current assets			
D) Stock	15	48,343	
E) Debtors: amounts receivable within one year	16	54,040	7,542
Debtors: amounts receivable after one year	17	4,925	6,235
Short-term investments		105	120
F) Cash at bank and in hand		11,672	22,093
		119,085	35,990
G) Creditors: amounts falling due within one year	18	(88,460)	(16,603)
Net current assets		30,625	19,387
Total assets less current liabilities		65,354	48,194
Creditors: amounts falling due after one year	19	(18,897)	(20,534)
Provisions for liabilities and charges			
Investment in joint ventures:	14(d)		
share of assets		941	
share of liabilities		(1,147)	
		(206)	
Net assets		46,251	27,660
Capital and reserves			
Called-up share capital	21	9,901	9,308
Share premium account	22	87,745	80,598
Profit and loss account	22	(51,395)	(62,246)
Shareholders funds all equity	23	46,251	27,660

The accompanying notes are an integral part of this Group balance sheet.

D)

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Stock

2002 is the first year that Acambis has recognised stock on the balance sheet. This largely reflects work-in-progress and finished goods under the second CDC smallpox vaccine contract.

E) Debtors: amounts receivable within one year

This includes amounts invoiced but not received at the year-end of £46.1m, principally from the CDC.

F) Cash at bank and in hand

Cash at the year-end was £11.7m. We received two significant payments two days after the year-end which, had they been received two days earlier, would have increased the cash position significantly. These large post year-end receipts are reflected in the large debtors balance at 31 December 2002 of £59.0m.

We expect to have over £100m in cash by the end of 2003.

G) Creditors: amounts falling due within one year

The increase in trade creditors and deferred revenue has arisen principally from the second CDC smallpox vaccine contract.

THE INFORMATION CONTAINED IN THIS COLUMN HAS NOT BEEN AUDITED.

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Table of Contents**(17f) COMPANY BALANCE SHEET**

(A) At 31 December

	Notes	2002 £ 000	2001 £'000
Fixed assets			
Investments	14	15,131	15,586
Current assets			
Debtors: amounts receivable within one year	16	589	70
Debtors: amounts receivable after one year	17	71,643	60,170
Short-term investments		-	
Cash at bank and in hand		12,217	18,884
Creditors: amounts falling due within one year	18	84,449 (429)	79,124 (219)
Net current assets		84,020	78,905
Total assets less current liabilities		99,151	94,491
Net assets		99,151	94,491
Capital and reserves			
Called-up share capital	21	9,901	9,308
Share premium account	22	87,611	80,464
Profit and loss account	22	1,639	4,719
Shareholders' funds - all equity		99,151	94,491

Signed on behalf of the Board

Dr John Brown, Chief Executive Officer
Gordon Cameron, Chief Financial Officer
27 March 2003

The accompanying notes are an integral part of this Company balance sheet.

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(A) Company balance sheet

The Company information relates to Acambis plc, the holding company that owns the the principal ones of which are Acambis Research Limited in the UK and Acambis Inc. in the US. The Company's accounts are consolidated with those of the subsidiaries to produce the Group's accounts.

The structure of the principal trading subsidiaries of the Group is as follows:

THE INFORMATION CONTAINED IN THIS COLUMN HAS NOT BEEN AUDITED.

Table of Contents**(17g) GROUP CASH FLOW STATEMENT**

For the year ended 31 December

	Notes	2002 £000	2001 £000	2000 £000
Net cash outflow from operating activities	24	(6,182)	(7,959)	(9,207)
Returns on investments and servicing of finance				
Interest received		685	1,219	852
Interest paid		(94)	(224)	(207)
Interest element of finance lease payments				(5)
Net cash inflow from returns on investments and servicing of finance		591	995	640
Taxation		131		
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(11,464)	(8,427)	(363)
Sale of tangible fixed assets				7
Funds advanced to joint venture			(520)	(2,332)
Proceeds from sale of trade investments				221
Net cash outflow from capital expenditure and financial investment		(11,464)	(8,947)	(2,467)
Acquisitions and disposals				
Disposal costs on sale of business				(243)
Net cash outflow from acquisitions and disposals				(243)
Net cash outflow before management of liquid resources and financing		(16,924)	(15,911)	(11,277)
Management of liquid resources	25	5	19,834	(1,894)
Financing				
Net proceeds from issue of new shares				
Baxter subscription		6,954	3,477	9,458
Other		786	785	890
Overdraft facility				2,502
Exercise of options over issued shares held by ESOP				43
Capital element of finance lease payments			(13)	(73)
Proceeds from new finance lease commitment			12,738	
Net cash inflow from financing		7,740	16,987	12,820
(Decrease)/increase in cash for the year	25	(9,179)	20,910	(351)

The accompanying notes are an integral part of this Group cash flow statement.

B Purchase of tangible fixed assets

The expenditure in 2002 represents the continued investment being made to reactivate our manufacturing facility in the US. This process is now largely complete.

C) Baxter subscription

Baxter's 28m subscription in new Acambis shares is scheduled as follows:

Date	Amount	Approximate aggregate shareholding
2000	£10.4m	10%
2001	£3.5m	13%
2002	£7.0m	17%
2003	£7.0m	21%

On 27 March 2003, Baxter accelerated its fourth and final subscription, taking its shareholding to 20.6%.

THE INFORMATION CONTAINED IN THIS COLUMN HAS NOT BEEN AUDITED.

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(17h) **NOTES TO GROUP FINANCIAL STATEMENTS**

(A) 31 December 2002

1 Accounting policies

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 consistently applied, is set out below. FRS 19, Deferred Tax , has been adopted in the year, but has had no impact on the amounts included in the profit and loss account and balance sheet.

Basis of accounting

The preparation of our financial statements requires us to make estimates and judgments that affect the reported amount of net assets at the date of our financial statements and the reported amounts of revenues and expenses during the period.

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and United Kingdom generally accepted accounting principles (UK GAAP). Where there are significant differences to United States generally accepted accounting principles (US GAAP) these have been discussed in note 29.

Basis of consolidation

The Group financial statements include and consolidate the financial statements of Acambis plc and each of its subsidiary undertakings. Acquisitions made by the Group are accounted for under the acquisition method of accounting and the Group financial statements include the results of such subsidiaries from the relevant date of acquisition. Intra-group transactions and profits are eliminated fully on consolidation. The loss for the financial year, dealt with in the financial statements of the Company, was £1.6m (2001 profit of £4.6m). Under the provisions of Section 230 of the Companies Act 1985, no profit and loss account is presented for the Company.

Turnover

Group turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts and intra-group transactions) and income derived from product sales, licence fees, contract research fees and development milestone payments receivable from third parties in the normal course of business. Revenue from product sales is recognised on delivery of the product. Non-refundable licence fees are recognised over the term of the licence. Where the Group is required to undertake research and development activities and the fee is creditable against services provided by the Group, that licence fee is deferred and recognised over the period over which the services are performed. Contract research fees are recognised in the accounting period in which the related work is carried out. Access fees and milestones receivable are recognised when they fall contractually due.

Profit is recognised on long-term contracts when the final outcome can be assessed with reasonable certainty by including in the profit and loss account, turnover and related costs as contract activity progresses. Turnover is recognised according to the stage reached in the contract by reference to the costs incurred in relation to total estimated expected costs.

The second smallpox vaccine contract with the US Centers for Disease Control & Prevention (CDC) is a fixed fee arrangement requiring the delivery of products as well as a concurrent research and development (R&D) programme. This arrangement has been treated as a single long-term contract, whose elements have not been accounted for separately. Turnover and profits are recognised according to the stage reached in the contract, as described above. Manufacturing costs are deemed to be incurred on delivery of products; R&D costs are recognised as incurred.

Cost of sales

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The Group has classified costs which are directly attributable to funded research and vaccine manufacture programmes as cost of sales. Certain research and development costs were, in prior years, classified as R&D expenditure. The Directors believe that the new classification more appropriately reflects the nature of the arrangements the Group has entered into. This reclassification has been applied to the two CDC smallpox vaccine contracts. The financial information for 2001 and 2000 has been re-presented so that cost classifications are shown on a comparable basis. The monetary impact of this re-classification in 2001 and 2000 is £5.1m and £0.5m respectively, which was previously included within R&D costs. There is no impact on net profit.

Research and development

R&D costs are written off in the period in which they are incurred.

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(A) Notes to Group financial statements

The notes to Group financial statements are intended to provide additional analysis and detail required to meet statutory obligations.

THE INFORMATION CONTAINED IN THIS COLUMN HAS NOT BEEN AUDITED.

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Government grants

Grants, which are non-refundable, are intended to contribute towards specific costs and are recognised in line with the proportion of those costs incurred and are netted off against R&D costs.

Pension costs

All schemes are defined contribution schemes and pension contributions are charged to the profit and loss account in the year to which they relate. Any difference between amounts charged to the profit and loss account and contributions paid are shown in the balance sheet under prepayments or creditors falling due within one year.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Provision is made for all deferred tax assets and liabilities in accordance with FRS 19, using full provision accounting, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

Intangible assets goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing the excess of fair value of the consideration given over the fair value of the identified assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life. The Directors are of the opinion that the useful economic life of goodwill will not exceed 15 years. The carrying values of goodwill and intangible assets are subject to review and any impairment is charged to the profit and loss account.

Tangible fixed assets

Fixed assets are stated at original historical cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, or the period of the lease if shorter, to its residual value based on prices prevailing at the date of acquisition, as follows:

Leasehold land and buildings	15 years or term of lease if shorter
Laboratory and manufacturing equipment	4 to 7 years
Office equipment	3 to 5 years

The carrying values of tangible fixed assets are subject to review and any impairment is charged to the profit and loss account. The Group does not capitalise interest charges on loans to fund the purchase of tangible fixed assets.

Investments

Shares in the Company purchased for employee share options are held under trust and are included as a fixed asset investment until the interest in the shares is unconditionally transferred to the employees. Provision is made for any permanent impairment in the value of the shares held by the trust. The Group's other fixed asset investments are shown at cost less any provision for impairment.

Joint venture undertakings

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Joint ventures are dealt with under the gross equity method. The Group's share of revenues and operating losses for the joint venture is included in the Group profit and loss account and the Group's share of gross assets and liabilities is included in the Group balance sheet.

Short-term investments

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

Stock, excluding long-term contracts

Stock is stated at the lower of cost and net realisable value. In general, cost is determined on a first-in-first-out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow-moving and defective stock.

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NOTES TO GROUP FINANCIAL STATEMENTS

31 December 2002

Leases

Assets acquired under finance leases are included in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease period or their useful lives. The capital elements of future lease payments are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to give a constant charge on the balance of the capital repayments outstanding. The cost of operating leases is charged to the profit and loss account on a straight-line basis over the lease term, even if rental payments are not made on such a basis.

Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Assets and liabilities of overseas subsidiary and joint venture undertakings are translated into sterling at rates of exchange ruling at the balance sheet date. The results and cash flows of overseas subsidiary and joint venture undertakings are translated into sterling using average rates of exchange. Exchange adjustments arising when the opening net assets and the losses for the year retained by overseas subsidiary and joint venture undertakings are translated into sterling are taken directly to reserves and reported in the statement of total recognised gains and losses.

Where financing of a foreign subsidiary through long-term loans and deferred trading balances is intended to be as permanent as equity, such loans and inter-company balances are treated as part of the net investment and, as such, any exchange differences arising are dealt with as adjustments to reserves.

Financial instruments

The Group attempts to reduce its foreign currency exposure using forward planning of currency requirements for US dollars and UK sterling, and entering into spot rate currency contracts as appropriate. The Group does not enter into derivative transactions.

Employee share option schemes

In accordance with Urgent Issues Task Force (UITF) Abstract 17, Employee Share Schemes (UITF 17), the cost of awards to employees of share options is charged to the profit and loss account on a straight-line basis over the period to which the performance relates, based on an assessment of the probability of the performance criteria being met. The cost of such awards is calculated as the difference between the fair value of the shares at the date of the grant and the exercise price of the option. Any liability relating to National Insurance payments due on exercise of options that has not been transferred to the employees is also accrued over the performance period of the option.

2 Segmental information

(A) **Turnover**

(4b) The Group's turnover comprises product sales, licence fees, contract research fees, royalties and milestone payments. One customer, the CDC, accounted for 95%, 64% and 9% of Group turnover in 2002, 2001 and 2000 respectively. The Directors are of the opinion that the Group has only one

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class of business.

The geographical analysis of turnover by origin and destination, operating profit/(loss) and net assets/(liabilities) and share of loss of the joint venture is as follows:

	Europe			North America		
	2002 £'000	2001 £'000	2000 £'000	2002 £'000	2001 £'000	2000 £'000
Turnover by customer location	785	73	265	78,931	8,841	5,999
Turnover by origin	785	73	265	78,931	8,841	5,999
Profit/(loss) on ordinary activities before taxation	(2,741)	601	(5,942)	12,319	(13,159)	(5,132)
Net assets/(liabilities)	53,537	55,805	35,377	(7,286)	(28,145)	762
Share of loss of Joint Venture				(171)	(410)	(2,138)

In 2002, sales to Europe represented 1% and sales to North America represented 99% of total sales. The figures shown on the face of the Group profit and loss account on page 18 analyse the operating profit/(loss) before finance charges and taxation. The net liabilities of the joint venture with Aventis Pasteur of £0.2m (2001 net assets of £0.1m, see note 14(d)) are included within North America.

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(A) **Turnover**

Our turnover represents product sales and revenues for research and development.

Other sources include revenues receivable from Aventis Pasteur (for our ChimeriVax-Dengue project) and our H. pylori joint venture.

THE INFORMATION CONTAINED IN THIS COLUMN HAS NOT BEEN AUDITED.

Table of Contents**3 Administrative costs**

	2002 £'000	2001 £'000	2000 £'000
Administrative costs	3,053	2,295	1,745
(B) Amortisation of goodwill	1,204	1,204	1,204
	4,257	3,499	2,949

4 Discontinued operations

During 2000, the Group completed the disposal of its interest in its drug discovery business, Mimetrix, to Medivir AB, a Swedish biotechnology company listed on the Stockholm Stock Exchange. The results of Mimetrix up to 31 March 2000 (the date from which Medivir AB assumed the obligations of Mimetrix's operating activities) are as follows:

	2000 £'000
Turnover	
Research and development costs	(643)
Administrative costs	(81)
Operating loss	(724)

The Mimetrix activities were all UK-based.

5 Amounts written off fixed asset investment

During the year, the investment of shares held in Medivir AB, which were acquired in 2000 in exchange for the assets of Mimetrix Limited, were written down to reflect the fall in market value during the year. This resulted in an exceptional loss of £0.1m (2001 £0.4m). This adjustment was in accordance with FRS 11, Impairment of Fixed Assets and Goodwill.

6 Interest payable and similar charges

This note details the interest payable on the Arilvax® overdraft facility (see note 18 for more information), as well as interest from assets held under finance leases.

	2002 £'000	2001 £'000	2000 £'000
On bank overdrafts	93	214	211
(C) Interest element of finance leases	1,118		5
	1,211	214	216

7 Profit/(loss) on ordinary activities before taxation

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Profit/(loss) on ordinary activities before taxation is stated:

	Notes	2002 £'000	2001 £'000	2000 £'000
After crediting:				
Grant income		1,892	1,142	165
And after charging:				
Amortisation of goodwill	12	1,204	1,204	1,204
Depreciation of tangible fixed assets	13			
owned		1,148	851	855
held under finance leases		262		73
Operating lease charges	26(a)			
hire of plant and machinery		13	5	77
other		1,379	1,582	1,630
Auditors remuneration				
audit services (Company: £3,000)		77	58	60

In 2002, the Group paid amounts to the auditors of £0.1m to Arthur Andersen (2001 £0.1m, 2000 £0.1m) and £0.1m to PricewaterhouseCoopers LLP in respect of non-audit services (primarily tax compliance and advisory services).

B) Amortisation of goodwill

This goodwill arose when Acambis Inc. was acquired in 1999. It is being written off over 15 years, resulting in an annual charge to the profit and loss account of £1.2m (see note 12).

C) Interest element of finance leases

During 2001, the Group put in place a \$40 million (c.£25m) lease-finance facility to fund the reactivation of our manufacturing plant. The repayment obligations for the lease financing are as follows:

None in 2002;

Interest only in 2003; and

Capital and interest during 2004 to 2006.

Consequently, interest that accrued in 2002 has been added into the outstanding balance.

THE INFORMATION CONTAINED IN THIS COLUMN HAS NOT BEEN AUDITED.

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31 December 2002

8 Staff costs

(A) (6d)

The average monthly number of employees during the year (including Executive Directors) was:

	UK Number	US Number	2002 Number	2001 Number	2000 Number
Research and development	30	87	117	88	71
Manufacturing		63	63	12	
Administration	23	39	62	50	35
	53	189	242	150	106

The Group had 291 employees at 31 December 2002 (2001 178). The Company had four employees, all of whom were Directors, at 31 December 2002 (2001 three, 2000 four).

The cost to the Group of paying its staff was:

	2002 £'000	2001 £'000	2000 £'000
Wages and salaries	11,341	7,505	4,862
Social security costs	1,942	1,008	433
Other pension and 401K costs (see note 26(c))	447	226	235
	13,730	8,739	5,530

During 2002, a third-party company paid a share of the Group's administrative costs, including £0.3m, 2000 £0.2m) for staff costs. These costs are included in the figures shown above.

9 Directors remuneration, interests and transactions

Full disclosure of Directors' remuneration, interests and transactions is given in the auditable part of the remuneration report. Aggregate gains made by Directors on the exercise of share options were £0.7m (2001 £0.7m).

10 Taxation

(B) Tax is charged annually, on profits made, in the country where each company is based.

Tax on profit on ordinary activities

	2002 £'000	2001 £'000	2000 £'000
UK corporation tax at 30% (2001 30%; 2000 30%):	(100)		
Foreign taxation	201		
Over provision in respect of prior year	(98)	(131)	
	3	(131)	

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(A) Employee numbers

As shown in our graph below, our average number of employees rose significantly in 2002, principally as a result of reactivating the manufacturing facility and the work on the CDC smallpox vaccine contracts.

We estimate that the headcount will increase during 2003 up to around 325.

(B) Taxation

Loss-making R&D companies traditionally generate taxable losses which can, in future, be offset against trading profits. For as long as it remains uncertain that the Group will have taxable profits against which these taxable losses can be offset, a deferred tax asset (historic taxable losses) is not recognised in the accounts.

2002 has seen a small tax charge due to state taxation liability arising in the US which is largely offset by an R&D tax credit claimed in the UK.

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Table of Contents**Current taxation**

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

	2002 £'000	2001 £'000	2000 £'000
Profit/(loss) on ordinary activities before tax	9,578	(12,558)	(11,074)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 and 2000: R&D tax credit rate of 16%)	2,873	(2,009)	(1,772)
Effects of:			
Utilisation of tax losses	(7,122)		
Expenses not deductible for tax purposes	663	10	(58)
Losses arising in the year	548	1,869	1,831
Difference in tax rates used compared to UK standard rate	664		
Difference between capital allowances and depreciation	(143)		
Prior year R&D tax credit	(98)		
Other short-term timing differences	2,618	(1)	(1)
Current tax charge/(credit) for year	3	(131)	

Deferred tax

	2002 £'000	2001 £'000
Unrecognised asset in respect of accelerated capital allowances	274	450
Unrecognised tax losses	8,535	14,020
Unrecognised asset on short-term timing differences	3,966	1,515
Total unrecognised deferred tax asset	12,775	15,985

11 Earnings per ordinary share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share trust (see note 14(c)) which are treated as cancelled until the shares vest unconditionally with the employees.

For diluted earnings per share, the weighted average numbers of shares used in the calculations are set out below:

	Earnings £'000	Weighted average number of shares	2002 Per- share amount pence	Earnings £'000	Weighted average number of shares	2001 Per- share amount pence	Earnings £'000	Weighted average number of shares	2000 Per- share amount pence
Basic EPS									
Earnings attributable to ordinary shareholders	9,575	96,101,507	10.0	(12,427)	91,027,463	(13.7)	(11,074)	79,638,484	(13.9)
Effect of dilutive securities									
Options		2,875,375	(0.3)						

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Diluted EPS

Adjusted earnings	9,575	98,976,882	9.7	(12,427)	91,027,463	(13.7)	(11,074)	79,638,484	(13.9)
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For diluted earnings per share, the weighted average ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group's dilutive securities consist of: those share options without performance conditions granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year, and those share options with performance criteria and contingently issuable shares, which are included in the diluted earnings per share calculation where the related performance conditions have been met at the year-end.

12 Goodwill

This goodwill arose when Acambis Inc. was acquired in 1999. It is being written off over 15 years, resulting in an annual charge to the profit and loss account.

	2002 £'000	2001 £'000
Cost at 1 January and 31 December	18,055	18,055
Amortisation		
At 1 January	3,210	2,006
Charge for the year	1,204	1,204
At 31 December	4,414	3,210
Net book value		
At 31 December	13,641	14,845

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NOTES TO GROUP FINANCIAL STATEMENTS

31 December 2002

13 Tangible fixed assets

Physical assets held for continuing use in the business.

Group	Short leasehold land and buildings £'000	Laboratory and manufacturing equipment £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2002	10,111	3,859	869	14,839
Additions	4,963	4,519	1,246	10,728
Disposals		(31)	(281)	(312)
(A) Exchange movement	(1,170)	(765)	(126)	(2,061)
At 31 December 2002	13,904	7,582	1,708	23,194
Depreciation				
At 1 January 2002	1,274	829	481	2,584
Charge for year	482	651	277	1,410
Disposals		(22)	(281)	(303)
(A) Exchange movement	(190)	(250)	(45)	(485)
At 31 December 2002	1,566	1,208	432	3,206
Net book value				
At 1 January 2002	8,837	3,030	388	12,255
At 31 December 2002	12,338	6,374	1,276	19,988
Net book value of assets held under finance lease included above:				
At 1 January 2002	5,220	2,208		7,428
At 31 December 2002	4,633	1,923		6,556

The Company has no tangible fixed assets.

14 Fixed asset investments

These are assets including shares that are held as an ongoing investment.

2002 £'000	Group 2001 £'000	2002 £'000	Company 2001 £'000
---------------	------------------------	---------------	--------------------------

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a) Subsidiary undertakings			14,988	14,988
b) Trade investments	303	388		
c) Investment in own shares	797	1,252	143	598
<hr/>				
	1,100	1,640	15,131	15,586
<hr/>				
d) Joint venture	(206)	67		
<hr/>				

B (a) Subsidiary undertakings

- (4c) The Company, Acambis plc, owns 100% of the ordinary share capital of Acambis Research Limited and Acambis Inc., incorporated in England and Wales and the US respectively. The main activity of Acambis Research Limited is R&D. The main activities of Acambis Inc. are R&D and manufacturing. Other companies held are not significant to the Group. All subsidiary undertakings have been consolidated.

The cost of the investments in the subsidiary undertakings in the books of the Company is as follows:

	<hr/>
	£'000
Cost and net book value at 1 January and 31 December 2002	14,988
	<hr/>

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(A) Exchange movement

During 2002, the monthly closing US \$/£ exchange rate has varied between 1.4555 and 1.6095. This has given rise to an exchange rate movement on the assets located in the US, which has an impact on both asset cost and accumulated depreciation.

B Subsidiary undertakings

The principal trading subsidiaries of the Group are Acambis Research Limited and Acambis Inc. The structure of the principal trading subsidiaries of the Group is as follows:

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Table of Contents**(b) Trade investments**

The investments held during 2002 are shares the Group holds in a non-related overseas listed company, Medivir AB.

	2002 £'000	2001 £'000
Cost		
At 1 January	1,481	1,481
At 31 December	1,481	1,481
Amounts provided		
At 1 January	1,093	670
Provided in the year	85	423
At 31 December	1,178	1,093
Net book value		
At 1 January	388	811
At 31 December	303	388

The market value of the investment in Medivir AB at 31 December 2002 was £0.3m (2001 £0.4m).

(c) Investment in own shares

These are shares in Acambis plc that have been bought by an employee trust. The shares may be issued to certain employees and Directors as share options or long-term incentive awards are exercised. Provision has been made for those shares that are likely to be issued.

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Cost				
At 1 January	1,606	1,606	952	952
Disposals	(287)		(287)	
At 31 December	1,319	1,606	665	952
Amounts provided				
At 1 January	354	161	354	161
Provided in the year	420	193	420	193
Release of previously provided amounts	(252)		(252)	
At 31 December	522	354	522	354
Net book value				
At 1 January	1,252	1,445	598	791
At 31 December	797	1,252	143	598

At 31 December 2002, Acambis Employees Trustees Limited held 589,685 (2001 723,396) ordinary shares in the Company with a total market value of £1.6m (2001 589,685 (2001 £2.5m) on behalf of the Acambis Employees Trust. All shares held by the Trust have been allocated to long-term incentive awards and a provision has been made in respect of all of these shares. All costs relating to the administration of the Trust are dealt with in the accounts of the Company as they arise.

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Disposals of £0.3m (2001 £nil) during the year relate to share options granted in accordance with the rules of the Acambis Share Incentive Plan (LTIP) having vested as a result of the performance criteria having been met at the exercise date. During the year, a provision of £0.4m (2001 £0.2m) was made in relation to share options that have been granted in accordance with the rules of the LTIP, as a result of the performance criteria having been met at 31 December 2002. As a result of certain share options becoming exercisable during the year, this gave rise to a release of £0.3m (2001 £nil) being provisions made in previous years (see remuneration report on page 62 for further details).

(C) (d) Joint ventures

The Group has an interest in the Pasteur Mérieux-OraVax joint venture (Joint Venture), whose principal business is to develop, manufacture, market and sell immunotherapeutic and preventative vaccines against H. pylori infection in humans. The Joint Venture represents a collaboration between two partnerships, Mérieux-OraVax SNC and OraVax-Mérieux Co., incorporated in Delaware, US. These partnerships were formed in March 1995 between Acambis Inc. and Aventis Pasteur. The Joint Venture trades under the name of Pasteur Mérieux-OraVax and its accounting year-end is 31 December. The R&D budgets of the two partnerships are established by joint committees in which each of the parties has an equal participation and role. The parties pay approximately equal shares of the agreed budgets.

(C) Joint ventures

The structure of the H. pylori joint venture is shown in the following diagram:

- * Through the Pasteur Mérieux-OraVax joint venture, Acambis owns 50.1% of Mérieux-OraVax SNC, a French partnership, and 49.9% of OraVax-Mérieux Co., a Massachusetts General partnership. Aventis Pasteur owns the remaining balances of the two partnerships.

Whilst Acambis and Aventis Pasteur's interests in each of the partnerships are very slightly different, the collaboration is structured such that all costs, capital contributions, profits and losses are shared equally by the parties.

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NOTES TO GROUP FINANCIAL STATEMENTS

31 December 2002

14 Fixed asset investments**(d) Joint ventures (continued)**

The following information is given in respect of the Group's share of the Joint Venture:

	2002 £'000	2001 £'000
Loss before tax	(171)	(410)
Current assets	941	915
Liabilities due within one year	(1,147)	(848)
	(206)	67

Due to the nature of this Joint Venture, being a collaboration between two partnerships, the following table provides an alternative analysis of the amounts shown above:

	2002 £'000	2001 £'000
Share of cumulative amounts invested in the partnerships	18,169	20,090
Share of cumulative losses incurred by the partnerships	(18,375)	(20,023)
	(206)	67

15 Stock

(A)	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Raw materials	1,131			
Work in progress	34,934			
Finished goods	12,278			
	48,343			

16 Debtors: amounts receivable within one year

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		Group		Company	
		2002 £'000	2001 £'000	2002 £'000	2001 £'000
B)	Trade debtors	46,090	5,918		
	Other debtors	2,406	285	589	42
C)	Corporation tax	198	131		
	Prepayments and accrued income	5,346	1,208		28
		54,040	7,542	589	70

17 Debtors: amounts receivable after one year

		Group		Company	
		2002 £'000	2001 £'000	2002 £'000	2001 £'000
	Amounts owed by subsidiary undertakings			71,643	60,170
	Prepayments and accrued income	4,925	6,235		
		4,925	6,235	71,643	60,170

Acambis is required to prepay insurance premiums, on behalf of the CDC, relating to the first CDC smallpox vaccine contract, secured in September 2000. At 31 December 2002, the total amount prepaid was £5.6m (2001 £7.0m), of which £0.7m (2001 £0.8m) is included within Debtors: amounts receivable within one year and £4.9m (2001 £6.2m) is included within Debtors: amounts receivable after one year. The total of £5.6m (2001 £7.0m) is offset by an equal amount in creditors (see notes 18 and 19). Both balances will reduce over the term of the insurance cover, which was up to 20 years at inception in 2000.

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(A) **Stock**

Stock is a new category on the balance sheet and consists solely of stock relating to the production of smallpox vaccine.

(B) **Trade debtors**

Amounts owed by the CDC under the two smallpox vaccine contracts are included within trade debtors at the year-end.

(C) **Corporation tax**

See note 10 on pages 26 and 27 for details of the corporation tax calculation.

THE INFORMATION CONTAINED IN THIS COLUMN HAS NOT BEEN AUDITED.

Table of Contents**18 Creditors: amounts falling due within one year**

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Overdraft facility (see below)	4,349	4,809		
D) Trade creditors	54,769	3,674	58	47
Amounts owed to Joint Venture		496		
Corporation tax	201			
Other taxes and social security	87	69		
Other creditors	58	44	49	
E) Accruals and deferred income	28,996	7,511	322	172
	88,460	16,603	429	219

Under the terms of the agreement between Acambis and Evans Vaccines Limited, given certain conditions, the obligation under the bank overdraft facility of £4.3m (2001 £4.8m) for the costs incurred on the Arilva® project may be repayable within one year. The facility is underwritten by PowderJect Pharmaceuticals Plc (PowderJect). PowderJect has granted to Acambis 100% of the marketing rights to Arilva® in the US, whilst retaining an option to buy back 50% of the profits from the US sales in return for refunding to the Group the costs the Group has incurred on the Arilva® programme. The overdraft facility was renewed in January 2003 for a further year. Interest is charged as disclosed within Financial liabilities in note 20.

During the year an exchange gain of £0.4m (2001 exchange loss of £0.1m) was recorded on the face of the Group profit and loss account, resulting from the revaluation of this US dollar-denominated facility.

19 Creditors: amounts falling after one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Obligations under finance leases	13,972	14,299		
Accruals and deferred income	4,925	6,235		
	18,897	20,534		

The amount in accruals and deferred income relates to the insurance premiums, payable on behalf of the CDC, relating to the first CDC smallpox vaccine contract, the equivalent figure being included in Debtors, as referred to in note 17 above.

In December 2001, the Group committed to a finance lease, repayable within five years, relating to the purchase and sale-and-leaseback of capital assets within the manufacturing plant. Further details regarding this finance lease facility are given within Financial liabilities in note 20.

20 Financial instruments

- (11) The Group's financial instruments comprise primarily cash and liquid resources, a long-term finance lease, an overdraft facility and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Group holds funds in both US dollars and sterling. The Group's current policy is to hold surplus funds in sterling over the long term, which currently achieves a higher interest rate return, whilst also mitigating exchange rate exposure.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks. These policies have remained unchanged since the beginning of 2000. All of the Group's short-term debtors and creditors are excluded from these disclosures, other than currency risk disclosures.

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Interest rate risk

The Group finances its operations predominantly through cash, liquid resources and lease financing. It is the Group's policy to invest surplus cash in money market funds, managed by professional money managers. The performance of the funds invested is reviewed by the Board on a regular basis to ensure that competitive rates of return are being achieved. The Board reviews regularly the financing facilities available to the Group to ensure competitive rates of interest are being obtained.

Liquidity risk

The Board monitors the level of cash and liquid resources on a regular basis, and management on a daily basis, to ensure that the Group has sufficient liquid funds to enable it to continue as a going concern. This is achieved through the production and review of cash forecasts, including sensitivity analyses. The Group's liquid resources are managed on a discretionary basis by a third party within strict parameters, which have been set by the Board.

D) Trade creditors

This includes amounts payable to suppliers, largely for payments of stock.

E) Accruals and deferred income

Deferred income represents the difference between invoices submitted to the CDC before the year-end and amounts recognised as revenue.

THE INFORMATION CONTAINED IN THIS COLUMN HAS NOT BEEN AUDITED.

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Table of Contents**NOTES TO GROUP FINANCIAL STATEMENTS**

31 December 2002

20 Financial instruments (continued)**Foreign currency risk**

The Group has one principal subsidiary that operates and trades overseas – Acambis Inc. It operates in the US and its revenues, expenses and financing are denominated principally in US dollars.

The Group has a US dollar-denominated overdraft facility, as described in note 18, which is held in the UK and is subject to exchange rate movements. These are recognised as incurred. In addition, the Group has other current assets and liabilities denominated in foreign currencies, which the Board does not consider to be significant.

The tables below show the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency.

Net foreign currency monetary assets/(liabilities)

				2001
	Sterling £000	US dollar £000	Euros £000	Total £000
Functional currency of Group operation:				
Sterling		28,782		28,782
US dollars				
		28,782		28,782
				2002
	Sterling £000	US dollar £000	Euros £000	Total £000
Functional currency of Group operation:				
Sterling		27,399	755	28,154
US dollars				
		27,399	755	28,154

Financial assets

The Group had cash and liquid resources of £11.8m at 31 December 2002 (2001 – £22.2m). The majority of these resources are invested in managed funds, denominated in sterling and US dollars, and are available for use with a day's notice. During 2002, these funds achieved weighted average returns of 4.1% (2001 – 5.4%) for funds invested in UK sterling, and 1.9% (2001 – 4.7%) for funds invested in US dollars. The Group also holds shares in Medivir AB (see note 14(b)). This investment does not subject the Group to interest rate risk as it has no maturity date.

Financial liabilities

The Group's overdraft facility, which is denominated in US dollars and is underwritten by PowderJect, is explained in note 18. At 31 December 2002, the Group had fully utilised the overdraft facility (2001 – fully utilised). Interest on the facility is charged at 0.35% per annum above the bank-lending rate for US dollars. During 2002, the weighted average interest payable on the facility was 2.0% (2001 – 4.5%).

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The only other financial liability of the Group at 31 December 2002 was a long-term lease-finance facility, which matures within four years. This \$40m (c. £25m) lease-finance facility, arranged through Baxter International, Inc. (Baxter), was approved by shareholders in December 2001. The Group secured financing of \$10m (c. £6.8m) for the sale-and-leaseback of the land and shell of the manufacturing plant, and up to \$25m (c. £17m) to lease-finance the capital expenditure items purchased to reactivate the manufacturing plant. In December 2001, the Group received \$18.6m (c. £12.8m), which represented \$8.6m (c. £6.0m) in respect of capital expenditure already incurred throughout 2001, plus \$10m (c. £6.8m) representing the net proceeds from sale-and-leaseback of the land and shell of the building. To facilitate this transaction, the land and shell were purchased for \$2.3m (c. £1.5m). This amount is included in the outstanding facility. During 2002, no further draw downs were made from the facility, although interest of \$1.7m (£1.1m) accrued during the year and has converted into the capital balance owing on the facility. The financing has been reflected in the financial statements as a long-term creditor.

During 2002, interest was charged to the facility at 3% above the prime rate of Banc One Corporation, a US-based bank, resulting in an interest charge of £1.1m (2001 £0.03m) being added to the facility. From January 2003, the interest percentage payable in respect of the facility has been fixed at 6.25% until the end of the life of the lease.

The repayment schedule for the lease financing requires that no interest or capital were repayable during 2002, interest only need be repaid in 2003 and capital and interest are repayable over 2004 to 2006. The Group has an option to repurchase all of the facility's assets from the end of 2003, and on each anniversary thereafter, for the capital balance outstanding at that time, plus any accrued but unpaid interest due at the time, plus a make-whole payment (discounted to present value) equal to the projected future interest stream payable to the end of the lease term.



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At 31 December 2002, the balance on this facility was \$22.5m (£14.0m), resulting in \$17.5m (c. £10.9m) not being used at that time (2001 \$19.2m). The facility is denominated in US dollars.

(A) Profile of the Group's financial liabilities

The maturity profile of the overdraft facility, together with the future minimum finance lease obligations (net of finance charges) to which the Group is committed are as follows:

	Overdraft facility £ 000	Finance lease £ 000	2002 £ 000	Overdraft facility £ 000	Finance lease £ 000	2001 £ 000
Within one and two years	4,349	4,428	8,777	4,809		4,809
Between two and five years		9,544	9,544		14,299	14,299
	4,349	13,972	18,321	4,809	14,299	19,108

Fair values of financial assets and financial liabilities

In the opinion of the Directors, there is no material difference between the book values and fair values of the Group's financial assets and liabilities as at 31 December 2002. Fair values have been calculated by discounting cash flows at prevailing interest rates.

21 Called-up share capital

	Year ending 31 December 2002		Year ending 31 December 2001	
	Number	£ 000	Number	£ 000
Authorised ordinary shares of 10p each				
At 1 January	140,000,000	14,000	140,000,000	14,000
At 31 December	140,000,000	14,000	140,000,000	14,000
Allotted, called-up and fully paid ordinary shares of 10p each				
At 1 January	93,081,919	9,308	88,675,680	8,868
Baxter subscription	4,967,562	497	2,674,841	267
Other exercise of share options	962,402	96	1,731,398	173
At 31 December	99,011,883	9,901	93,081,919	9,308

In 2000, an alliance was formed with Baxter involving a series of agreements, including a subscription by Baxter in Acambis. The subscription is payable in instalments between December 2000 and, at the latest, June 2003. The subscription price in 2002 was £1.40 (2001 £1.30) per ordinary share. As described within Post balance sheet events on page 37, on 27 March 2003, Baxter accelerated its fourth and final subscription, taking its shareholding to 20.6%.

(B) Share option schemes

The Group operates several share option schemes. Options outstanding under the various schemes, as defined in the remuneration report on pages 59 to 61, are as follows:

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Scheme	1	Granted	Exercised	Lapsed	31 December
	January				2000
	2000	000	000	000	000
1994 ¹	981		(7)		974
1995	2,796		(682)	(289)	1,825
1996	1,247	28	(349)	(361)	565
1999	787	1,722		(117)	2,392
SAYE	827	42	(106)	(368)	395
1990 US	261		(1)	(20)	240
1995 US	201			(10)	191
Total	7,100	1,792	(1,145)	(1,165)	6,582

(A) **Profile of Group's financial liabilities - finance lease**

This relates to the financing put in place for our manufacturing plant in 2001. We have an option to repurchase the plant and all of its assets in December 2003 on the second anniversary of the establishment of the agreement, and on each anniversary thereafter, for the outstanding capital balance.

(B) **Share option schemes**

We recognise that our people are one of our most important assets and encourage all employees to share in the growth of the Group by offering share options to every employee.

THE INFORMATION CONTAINED IN THIS COLUMN HAS NOT BEEN AUDITED.

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31 December 2002

21 Called-up share capital**Share option schemes (continued)**

Scheme	1	Granted '000	Exercised '000	Lapsed '000	31 December
	January 2001 '000				2001 '000
1994 ¹	974		(966)		8
1995	1,825		(411)	(48)	1,366
1996	565	78	(268)	(65)	310
1999	2,392	1,503		(286)	3,609
SAYE	395	61	(30)	(38)	388
1990 US	240		(57)		183
1995 US	191				191
Total	6,582	1,642	(1,732)	(437)	6,055

Scheme	1	Granted '000	Exercised '000	Lapsed '000	31 December
	January 2002 '000				2002 '000
1994 ¹	8		(8)		
1995	1,366		(421)		945
1996	310	135	(126)		319
1999	3,609	873	(265)	(163)	4,054
SAYE	388	72	(141)	(1)	318
1990 US	183		(2)		181
1995 US	191				191
Total	6,055	1,080	(963)	(164)	6,008

A breakdown of the total options outstanding at 31 December 2002 is as follows:

Scheme	Number	Weighted average exercise price	Period in which	
			exercisable in normal circumstances	
1995 ²	945	£1.25	September 1999	April 2006
1996	319	£1.53	July 1999	December 2012
1999	4,054	£1.42	November 2002	December 2012
SAYE	318	£0.95	November 2002	April 2005
1990 US	181	\$3.74	September 1999	June 2009
1995 US	191	\$8.61	September 1999	June 2007
Total	6,008			

Whilst they have no present intention of utilising such authority, at the Annual General Meeting to be held on 13 May 2003, the Directors will seek authority from the shareholders to allot shares up to an aggregate nominal value of £3,457,941 (34,579,416 ordinary shares of 10p each) being one third of the issued ordinary shares of the Company.

Notes

1) The Peptide Therapeutics Group plc 1994 Unapproved Share Option Scheme.

2) Parallel options under the 1995 Scheme existed over 14,015 of the options outstanding at 31 December 2002. Option holders may elect to exercise either option, at which time the alternative option lapses.

The Group operates an Inland Revenue-approved Save-As-You-Earn (SAYE) scheme in the UK and has taken advantage of the exemption given in UITF 17 from recognising a charge in the profit and loss account for the discount on those options.

At the Annual General Meeting to be held on 13 May 2003, the Directors will seek the authority of shareholders to introduce a new all-employee share plan for US-based employees, which is similar to the SAYE scheme in the UK.



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(A)

	2002		2001		2000	
	Share premium account £ 000	Profit and loss account £ 000	Share premium account £ 000	Profit and loss account £ 000	Share premium account £ 000	Profit and loss account £ 000
Group reserves						
At 1 January	80,598	(62,246)	76,776	(49,505)	67,456	(37,614)
Issue of new shares	7,147		3,822		9,320	
Exchange adjustments		1,276		(314)		(817)
Retained profit/(loss) for the year		9,575		(12,427)		(11,074)
At 31 December	87,745	(51,395)	80,598	(62,246)	76,776	(49,505)

	2002		2001		2000	
	Share premium account £ 000	Profit and loss account £ 000	Share premium account £ 000	Profit and loss account £ 000	Share premium account £ 000	Profit and loss account £ 000
Company reserves						
At 1 January	80,464	4,719	76,642	99	67,322	132
Issue of new shares	7,147		3,822		9,320	
Exchange adjustments		(1,459)				
Retained (loss)/profit for the year		(1,621)		4,620		(33)
At 31 December	87,611	1,639	80,464	4,719	76,642	99

23 Reconciliation of movements in Group shareholders funds

	2002 £ 000	2001 £ 000
Retained profit/(loss) for the period	9,575	(12,427)
Gain/(loss) on foreign currency exchange	1,276	(314)
New share capital subscribed	7,740	4,262
Net increase/(decrease) in shareholders funds	18,591	(8,479)
Opening shareholders funds	27,660	36,139
Closing shareholders funds	46,251	27,660

24 Reconciliation of the operating profit/(loss) to net cash outflow from operating activities

	2002 £ 000	2001 £ 000	2000 £ 000

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Operating profit/(loss)	9,911	(12,242)	(9,397)
Depreciation and amortisation	2,614	1,942	2,132
Increase in stock	(52,631)		
Increase in debtors	(50,602)	(3,685)	(8,558)
Increase in creditors	81,798	5,685	6,607
Loss on sale of tangible fixed assets	9		6
Exchange differences arising on inter-company balances	1,274	(499)	(691)
Other	1,445	840	694
Net cash outflow from operating activities	(6,182)	(7,959)	(9,207)

In 2001 and 2002, all cash flows arose from continuing operating activities.

(A) **Share premium account**

Acambis ordinary shares have a nominal value of 10p. When new shares are issued, either through fundraisings, share option exercises or corporate transactions such as the subscription agreement with Baxter, the price paid for the shares in excess of the 10p nominal value is recognised as share premium.

THE INFORMATION CONTAINED IN THIS COLUMN HAS NOT BEEN AUDITED.

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25 Analysis and reconciliation of net funds/(debt)

	1 January 2001 £ 000	Cash flow £ 000	Non-cash movements £ 000	Exchange movement £ 000	31 December 2001 £ 000
Cash	1,179	20,910		4	22,093
Liquid resources	19,938	(19,834)		16	120
Overdraft facility	(4,686)			(124)	(4,810)
		1,076			
Finance lease	(13)	(12,725)	(1,546)	(15)	(14,299)
Net funds	16,418	(11,649)	(1,546)	(119)	3,104

	1 January 2002 £ 000	Cash flow £ 000	Non-cash movements £ 000	Exchange movement £ 000	31 December 2002 £ 000
Cash	22,093	(9,179)		(1,242)	11,672
Liquid resources	120	(5)		(10)	105
Overdraft facility	(4,810)			461	(4,349)
		(9,184)			
Finance lease	(14,299)		(1,118)	1,445	(13,972)
(A) Net debt	3,104	(9,184)	(1,118)	654	(6,544)

Liquid resources at 31 December 2002 of £0.1m represents amounts held by Acambis Inc. as a deposit against property rentals.

	2002 £ 000	2001 £ 000	2000 £ 000
(Decrease)/increase in cash	(9,179)	20,910	(351)
(Decrease)/increase in liquid resources	(5)	(19,834)	1,894
(Decrease)/increase in cash and liquid resources	(9,184)	1,076	1,543
Net cash outflow from lease financing		13	29
Proceeds from new finance lease		(12,738)	
Net increase in overdraft facility			(2,502)
Change in net (debt)/funds arising from cash flows	(9,184)	(11,649)	(930)
Non-cash element of finance lease	(1,118)	(1,546)	
Exchange adjustments	654	(119)	(59)

Movement in net (debt)/funds	(9,648)	(13,314)	(989)
Net funds at 1 January	3,104	16,418	17,407
Net (debt)/funds at 31 December	(6,544)	3,104	16,418

26 Financial commitments

(a) Lease commitments

The minimum annual rentals payable by the Group under non-cancellable operating leases are as follows:

	Land and buildings		Equipment	
	2002 £ 000	2001 £ 000	2002 £ 000	2001 £ 000
Operating leases which expire:				
Within one year	31		13	
Within two to five years	1,640	962		6
After more than five years		520		
	1,671	1,482	13	6

At 31 December 2002, the Company had no operating leases (2001 £nil).

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(A) Net debt

As a result of the major working capital requirements for the second CDC smallpox vaccine contract, cash and liquid resources at the year-end of £11.8 million was less than our obligations under the finance lease and overdraft facilities. However, this was simply the result of timing differences in payments. Two days following the 2002 year-end our cash was such that net funds of the Group were once again positive.

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In March 2000, the Group entered into a sub-lease with Medivir UK Limited in respect of 50% of the facility at Peterhouse Technology Park in the UK. The sub-lease expires in September 2003, and provides that Medivir UK Limited will pay Acambis £0.3m per annum in operating lease rentals relating to land and buildings. In September 1999, the Group entered a further sub-lease with Millennium Pharmaceuticals, Inc. in respect of 25% of the facility at 38 Sidney Street in Cambridge, Massachusetts, USA. This sub-lease expired in December 2002 at which point Acambis re-occupied all of this space.

(b) Capital commitments

At the end of the year, capital commitments contracted but not provided for were £0.1m (2001 £6.4m).

(c) Pension arrangements

The Group provides pension benefits to all full-time employees on a defined contribution basis. The Company operates a self-administered, Inland Revenue-approved pension scheme for UK Executive Directors. Other employees may operate private personal pension schemes. In the US the Group offers a 401k Savings and Retirement Plan for all employees, including Executive Directors. The Group pension cost (including 401k costs) for the year was £0.5m (2001 £0.2m). At the year-end, the Group owed £0.2m (2001 £0.01m) to the pension schemes. This amount is shown in the balance sheet under Creditors: amounts falling due within one year .

27 Related party transactions

(7b) Under the provisions of FRS 8, Related Party Disclosures , it is not necessary to disclose related party transactions between the Company, Acambis Research Limited and Acambis Inc. because they are eliminated on preparation of the Group s financial statements.

As described in note 14(d), the Group has an interest in the Joint Venture. Since May 1999, Acambis has performed a pre-agreed work programme on behalf of the Joint Venture. Costs incurred by the Group on behalf of the Joint Venture and corresponding turnover received from the Joint Venture have been included in the Group s financial statements. For the year ended 31 December 2002, the Group has included turnover of £0.3m (2001 £0.5m) in respect of costs incurred in performing services for the Joint Venture within its Group financial statements. 50% of the loss incurred by Pasteur Mérieux-OraVax in 2002, amounting to £0.2m (2001 £0.4m), is shown on the face of the Group profit and loss account on page 18. At 31 December 2002, the amounts the Group owed to the Joint Venture amounted to £nil (2001 £0.5m). Amounts owed by the Joint Venture to the Group at 31 December 2002 were £nil (2001 £nil).

In 2002, the Group took the view that, taking into account the increase in its shareholding in Acambis and the presence of a representative from Baxter on the Board, Baxter s influence on Acambis became significant, and therefore Baxter is a related party. Baxter s subscriptions in the shares of the Company are set out in note C on page 21, and the Group s long-term lease-finance facility with Baxter is described within Financial liabilities in note 20. The Group made sales to Baxter of £0.7m in 2002 (2001 £nil), of which £0.7m (2001 £nil) was unpaid at the year-end, and made purchases of goods and services from Baxter of £45.7m (2001 £nil), of which £42.7m (2001 £nil) was unpaid at the year-end.

28 Post balance sheet events

Under a prior agreement with BTG International Limited (BTG), Acambis was required to pay to BTG an annual turnover tax of 2% of the Group s gross turnover on an ongoing basis. Following a decision by the High Court of Justice Queen s Bence Division in the UK in February 2003, it was confirmed that this turnover tax covers all subsidiaries of the Company. This decision has no effect on the financial statements of the Group.

On 27 March 2003, Baxter International, Inc. accelerated its fourth and final subscription of equity shares from the original subscription date of no later than 1 June 2003. These shares were traded from 27 March 2003. This subscription of 4.6 million shares at a subscription amount of £7.0m increased Baxter s shareholding in the Company to 20.6%.

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31 December 2002

29 Reconciliation to US accounting principles

Summary of significant differences between UK GAAP followed by the Group and US GAAP

The Group's financial statements have been prepared under UK GAAP, which differs in certain respects from US GAAP. The principal differences between the Group's accounting policies under UK GAAP and US GAAP are set out below.

Revenue recognition

Revenues represent sales and income derived from product sales, licence fees, contract research fees and development milestone payments. Under UK GAAP, these revenues are recognised using the accounting policies as set out in note 1. The Directors have selected the accounting policies they believe to be the most appropriate in the circumstances, as required by FRS 18 Accounting Policies. In making this judgment, they have taken into account recent publications by the Accounting Standards Board (ASB), specifically the discussion paper entitled Revenue Recognition and the proposed additional application note to FRS 5, Substance of Transactions.

For US purposes, the Group adopted Staff Accounting Bulletin (SAB) 101 with effect from 1 January 2000.

Licence fees

Prior to 2001, under UK GAAP, certain licence fees were recognised when paid, where such payments were not refundable. Following the Group's adoption of SAB101 under US GAAP, where licence fees are not refundable and are not creditable against associated R&D activities, these fees are considered inseparable from the associated R&D effort. As such, those licence fees are deferred and recognised over the period of the licence term or over the period of the R&D agreement.

Multiple element arrangements

In November 2001, Acambis was awarded a second contract by the CDC. This contract is divided into two principal components: to manufacture 155 million doses of smallpox vaccine; and to take the vaccine through clinical trials to US Food and Drug Administration (FDA) licensure. Under UK GAAP, this contract has been accounted for as a single-element arrangement. Under US GAAP, the Group treats this contract as a multiple element arrangement resulting in a different allocation of revenue compared to the UK GAAP treatment. The Group has determined the fair value of the development and manufacturing portions of the contract and has allocated the total contract value to the development and manufacturing using the relative fair value method as prescribed by Emerging Issues Task Force (EITF) Issue No. 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. The development portion of the contract consists of the completion of Phase I/II clinical trials, completion of Phase III clinical trials including completion and submission of a Biologics Licenses Application with the FDA and post FDA approval activities. The manufacturing portion consists of the manufacture and delivery of smallpox vaccine to the CDC. The Group recognises revenue for each significant development activity on a straight-line basis over the expected duration of each respective activity unrelated to the costs incurred over that period; this contrasts with the UK GAAP treatment, where revenues are recognised as costs are incurred, using the principles of long-term contract accounting. The Group recognises revenue on the manufacturing portion of the contract as smallpox vaccine is delivered to the CDC and all risks and rewards of ownership have transferred to the CDC. Costs associated with expected re-labelling to be undertaken in the future are being accrued as smallpox vaccine is delivered to the CDC. Costs and revenue associated with providing storage or vaccine disposal services are only included when, and if, it is deemed probable that such services will be performed.

(A) Compensation costs under variable plan accounting for stock options and SAYE plan discount

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Acambis has granted stock options to employees that will vest upon the attainment of certain targets. Under UK GAAP, there is no accounting for these grants after the initial grant date. Under US GAAP, APB Opinion No. 25, Accounting for Stock Issued to Employees (APB25), the Company would be required to follow variable plan accounting for these grants and measure compensation expense as the difference between the exercise price and the fair market value of the stock during each accounting period over the vesting period of the options. Increases in fair market value of the stock would result in a charge to operations and decreases in the fair market value of the stock would result in a credit to operations, subject to the cumulative amount previously expensed.

Under UK GAAP, Acambis has taken advantage of the exemption provided by UITF 17, not to recognise any compensation charge in respect of options granted under SAYE plans. Under US GAAP, in accounting for new offers made since 24 January 2002, Acambis would follow the requirements of pronouncement EITF 00-23 Issues relating to the Accounting for Stock Compensation under APB25 and FIN44 (Financial Accounting Standards Board Interpretation Number (FIN) 44, Accounting for Certain Transactions Involving Stock Compensation , (FIN44)) which does not permit such an exemption in respect of plans with certain characteristics. The compensation charge under US GAAP in respect of such plans would be calculated as the difference between the market price of the shares at the date of grant and the exercise price of the option and would be recorded on a straight-line basis over the savings period.

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(A) **Compensation costs under variable plan accounting for stock options and SAYE plan discount**

Under US GAAP, a company is required to put a charge through its profit and loss account for share options not yet exercised but that are likely to be exercised. The charge is calculated as the difference between the market value of the shares at the year-end and the exercise price.

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The table below shows the additional charge or credit that would have been made to the Group profit and loss account under US GAAP.

	Year ended 31 December		
	2002 £'000	2001 £'000	2000 £'000
Charged to the Group profit and loss account	1,212	5,210	312

Provision against own shares held

Under UK GAAP, own shares held by the Acambis Employees Trustees Limited are accounted for as fixed asset investments and provisions made against these investments to reduce them to the recoverable amount are charged in the profit and loss account. Under US GAAP, own shares are recorded at cost, are not reviewed for impairment and are accounted for within shareholders' equity.

Purchase price accounting for in-process R&D and goodwill amortisation

During 1999, Acambis acquired Acambis Inc. Under both UK GAAP and US GAAP, goodwill is identified as being the amount that the fair value of the consideration exceeds the fair value of assets acquired. However, under UK GAAP no value is attributed to in-process R&D, which is not the case under US GAAP. Under US GAAP, in accordance with APB Opinion No.16, Business Combinations, and No.17, Intangible Assets, in-process R&D is separately identified and analysed to determine the fair market value at the date of acquisition. In-process R&D is identified in accordance with the definition within Statement of Financial Accounting Standard (SFAS) No.2, Accounting for Research and Development Costs. Following identification of qualifying R&D projects, their value was determined by estimating the costs to develop the purchased in-process R&D into commercially viable products, estimating the resulting net cash flows from the projects and discounting the net cash flows to their present value.

As a result of the valuation of in-process R&D under US GAAP, the fair value of assets acquired is different from that calculated under UK GAAP, resulting in differing values of goodwill. The table below shows the difference in the goodwill calculation and the associated amortisation charge in the Group profit and loss account. Under US GAAP, in-process R&D is written off to the profit and loss account when incurred.

Under UK GAAP, Acambis amortises goodwill on a straight-line basis over an estimate of the time the Group is expected to benefit from it. Until 1 January 2002, this was also Acambis' accounting policy under US GAAP. Following the provisions of SFAS 142, Goodwill and Other Intangible Assets (SFAS 142), the carrying value of goodwill in US GAAP was frozen and became subject to annual impairment reviews. The transitional impairment review carried out on adoption of SFAS 142 did not reveal any indication of impairment.

	Year ended 31 December 2002		Year ended 31 December 2001	
	UK GAAP £'000	US GAAP £'000	UK GAAP £'000	US GAAP £'000
Goodwill on acquisition included on balance sheet (cost)	18,055	6,155	18,055	6,155
Amortisation brought forward	(3,210)	(1,094)	(2,006)	(684)
Amortisation charged to Group profit and loss account for the year	(1,204)		(1,204)	(410)
Goodwill (net book value)	13,641	5,061	14,845	5,061

Capitalisation of interest

Under UK GAAP, Acambis' accounting policy is that interest is not capitalised. US GAAP would require interest incurred as part of the cost of constructing fixed assets to be capitalised and amortised over the life of the asset.

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29 Reconciliation to US accounting principles (continued)**Reconciliation of net loss from UK GAAP to US GAAP**

Based on the differences detailed above, the following table shows the reconciliation of the Group's net loss for the past three years:

	Year ended 31 December		
	2002 £'000	2001 £'000	2000 £'000
Net profit/(loss) as reported under UK GAAP	9,575	(12,427)	(11,074)
Adjustments for:			
Revenue recognition	(24,124)	1,995	(570)
Compensation (costs)/credit under variable plan accounting for stock options and SAYE plan discount	(1,212)	(5,210)	(312)
Provision against own shares held	420		
Amortisation charge for goodwill	1,204	794	794
Capitalisation of interest	560		
Net loss as reported under US GAAP before cumulative effect of accounting change	(13,577)	(14,848)	(11,162)
Cumulative effect of accounting change: revenue recognition			(2,572)
Net loss as reported under US GAAP after cumulative effect of accounting change	(13,577)	(14,848)	(13,734)

Loss per share under US GAAP

Under US GAAP, the Group would compute loss per share under SFAS No.128 Earnings per Share (SFAS 128). Under SFAS 128, basic net loss per ordinary share is computed using the weighted average number of shares of common stock outstanding during the period. Under US GAAP, diluted net loss per ordinary share for Acambis is the same as basic net loss per ordinary share, as the effects of the Company's potential ordinary share equivalents are anti-dilutive. Under UK GAAP the basis of calculation is the same.

Because the Group has recorded a net profit under UK GAAP, certain securities which are dilutive under UK GAAP are anti-dilutive under US GAAP. The net loss per share under US GAAP is presented below:

	Year ended 31 December		
	2002 £'000	2001 £'000	2000 £'000
Basic loss per ordinary share in pence before cumulative effect of accounting change	(14.1)	(16.3)	(14.0)
Basic loss per share in pence of cumulative effect of accounting change			(3.2)
Basic loss per share in pence	(14.1)	(16.3)	(17.2)
Shares used in computing basic loss per ordinary share	96,101,507	91,027,463	79,638,484
Diluted loss per ordinary share in pence	(14.1)	(16.3)	(17.2)

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Shares used in computing diluted loss per ordinary share	96,101,507	91,027,463	79,638,484
Anti-dilutive securities, not included above	3,100,226	2,294,366	1,565,251

Anti-dilutive securities represent stock options outstanding, which have not been included in the calculation of loss per ordinary share as the impact of including such shares in the calculation of loss per share would be anti-dilutive.

Income and expense transactions with the same party

In accordance with EITF Issue 02-16, Accounting by a Reseller for Cash Consideration Received from a Vendor, certain transactions with the same party, which are shown gross under UK GAAP, are netted under US GAAP. These adjustments have no impact on net income. The individual line items affected are cost of sales (which under US GAAP in 2002 is £48.0m) and R&D costs included within operating expenses (2002 £21.5m).

Discontinued operations

As discussed in note 4, the Group completed the disposal of its interest in its drug discovery business, Mimetrix, during 2000. Under US GAAP, the operating results of discontinued operations should be reported separately in a single caption after income from continuing operations, net of income tax effects, for all periods presented. This presentation difference has no impact on the net loss for the periods presented.

Table of Contents**Reconciliation of shareholders' equity from UK GAAP to US GAAP**

	As at 31 December		
	2002 £ 000	2001 £ 000	2000 £ 000
Shareholders' equity as reported under UK GAAP	46,251	27,660	36,139
Goodwill	(8,580)	(9,784)	(10,578)
Revenue recognition (cumulative)	(25,272)	(1,147)	(3,142)
Capitalisation of interest	560		
Reclassification of net book value of investment in Group shares	(797)	(1,252)	(1,445)
Shareholders' equity as reported under US GAAP	12,162	15,477	20,974

Group statement of cash flows

The Group statement of cash flows prepared under UK GAAP presents substantially the same information as that required under US GAAP by SFAS No.95, Statement of Cash Flows. These standards differ, however, with regard to classification of items within the statements and the definition of cash and cash equivalents.

Under UK GAAP, cash comprises only cash in hand and deposits repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice of not more than 24 hours or one working day has been agreed. Under US GAAP, cash equivalents are short-term highly liquid investments, with a maturity of three months or less at inception, that are readily convertible to known amounts of cash and present insignificant risk of changes in value because of changes in interest rates.

Under UK GAAP, cash flows are presented separately for operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, management of liquid resources and financing activities. US GAAP requires only three categories of cash flow activity to be reported: operating, investing and financing. Cash flows from taxation and returns on investments and servicing of finance under UK GAAP would, with the exception of dividends paid, be shown under operating activities under US GAAP. The payment of dividends and the payment to acquire own shares (treasury stock) would be included as a financing activity under US GAAP. Management of liquid resources under UK GAAP would be included as cash and cash equivalents under US GAAP to the extent that the amounts involved have a maturity of less than three months and are convertible into known amounts of cash. Summary statements of cash flow presented under US GAAP are given below:

	Year ended 31 December		
	2002 £ 000	2001 £ 000	2000 £ 000
Net cash used in operating activities	(5,459)	(6,968)	(8,782)
Net cash used in investing activities	(11,460)	5,803	(4,488)
Net cash provided by/(used in) financing activities	7,740	16,987	12,819
Effect of foreign exchange on cash and cash equivalents	(1,242)		
(Decrease)/increase in cash and cash equivalents	(10,421)	15,822	(451)
Opening cash and cash equivalents	22,093	6,271	6,722
Closing cash and cash equivalents	11,672	22,093	6,271

Statement of other comprehensive income

	2002 £ 000	2001 £ 000	2000 £ 000

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Net loss	(13,577)	(14,848)	(13,734)
Other comprehensive income: foreign currency translation adjustment net of tax	1,276	(314)	(817)
<hr/>			
Total comprehensive income	(12,301)	(15,162)	(14,551)
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Table of Contents**NOTES TO GROUP FINANCIAL STATEMENTS**

31 December 2002

29 Reconciliation to US accounting principles (continued)**Recently issued pronouncements**

In June 2002, the Financial Accounting Standards Board (FASB) issued SFAS No.146, Accounting for costs associated with exit or disposal activities (SFAS 146). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF 94-3, Liability recognition for certain employee termination benefits and other costs to exit an activity (including certain costs incurred in a restructuring) . SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognised when the liability is incurred. Under EITF 94-3, a liability for an exit cost was recognised at the date of the commitment to an exit plan. SFAS 146 states that a commitment to a plan, by itself, does not create an obligation that meets the definition of a liability. Therefore, SFAS 146 eliminates the definition and requirement for recognition of exit costs in EITF 94-3. It also established that fair value is the objective for initial measurement of the liability. SFAS 146 is to be applied prospectively to exit or disposal activities initiated after 31 December 2002. Management does not expect the adoption of SFAS 146 to have a material effect on its consolidated financial statements.

In November 2002, the FASB issued FASB Interpretation Number (FIN) No.45, Guarantor s accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others (FIN 45). FIN 45 requires the guarantor to recognise, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. It also elaborates on the disclosure to be made by a guarantor in its financial statements about its obligation under certain guarantees that it has issued and to be made in regard of product warranties. The initial recognition and movement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after 31 December 2002, while the provisions of the disclosure requirements are effective for financial statements of interim or annual periods ending after 15 December 2002. Management does not expect the adoption of FIN 45 to have a material effect on its consolidated financial statements.

In November 2002, the EITF reached a consensus on Accounting for revenue arrangements with multiple deliverables (Issue 00-21). This addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, Issue 00-21 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. The provisions of Issue 00-21 are effective for revenue arrangements entered into in fiscal periods beginning after 15 June 2003, with early application permitted. Management have applied the provisions of EITF 00-21 to existing multiple element arrangements.

In January 2003, the FASB issued FIN No.46, Consolidation of variable interest entities (FIN 46). FIN 46 clarifies the application of Accounting Research Bulletin No. 51, Consolidated financial statements, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 applies immediately to variable interest entities created after 31 January 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after 15 June 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before 1 February 2003. FIN 46 applies to public enterprises as of the beginning of the applicable interim or annual period. Management does not expect the adoption of FIN 46 to have a material effect on its consolidated financial statements.

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(A) Further information required by Form 20-F

This section contains the information that the US Securities and Exchange Commission requires in a Form 20-F that does not appear elsewhere in our Annual Report.

Table of Contents**Item 19. Exhibits**

Exhibit Number	Description of Exhibit
1.1*	Memorandum and Articles of Association of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form F-4, as filed with the Securities and Exchange Commission on February 10, 1999 (File No. 333-72077)).
2.1*	Deposit Agreement between and among Acambis plc and The Bank of New York, as Depositary (incorporated herein by reference to the Company's Registration Statement on Form F-6 as filed with the Securities and Exchange Commission on February 13, 2001 (File No. 333-13166)).
4.1*	Option Agreement between Peptide Therapeutics Limited and the joint ventures between OraVax, Inc. and Pasteur Mérieux Serums et Vaccins known as Pasteur Mérieux OraVac S.N.C. and OraVax Mérieux Co., dated April 17, 1998 (incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form F-4, as filed with the Securities and Exchange Commission on April 9, 1999 (File No. 333-72077)).
4.2*	Overview Agreement between Peptide Therapeutics Limited and Pasteur Mérieux Serums et Vaccins S.A., dated January 25, 1999 (incorporated herein by reference to Exhibit 10.10 to the Company's Registration Statement on Form F-4, as filed with the Securities and Exchange Commission on April 9, 1999 (File No. 333-72077)).
4.3*	Standstill Agreement between Peptide Therapeutics Limited and Pasteur Mérieux Serums et Vaccins S.A., dated January 25, 1999 (incorporated herein by reference to Amendment No. 2 to Schedule 13D filed on January 28, 1999 by Peptide Therapeutics Group plc (File No. 005-48363)).
4.4*	Director's Service Agreement between Peptide Therapeutics Group plc and John Brown, dated March 1, 1997 (incorporated herein by reference to Exhibit 10.18 to the Company's Registration Statement on Form F-4, as filed with the Securities and Exchange Commission on February 10, 1999 (File No. 333-72077)).
4.5*	Director's Service Agreement between Peptide Therapeutics Group plc and Gordon Cameron, dated March 1, 1997, as amended September 18, 1998 (incorporated herein by reference to Exhibit 10.17 to the Company's Registration Statement on Form F-4, as filed with the Securities and Exchange Commission on February 10, 1999 (File No. 333-72077)).
4.6*	Director's Service Agreement between Peptide Therapeutics Group plc and Nicholas Higgins, dated November 29, 1996, as amended September 18, 1998 (incorporated herein by reference to Exhibit 10.16 to the Company's Registration Statement on Form F-4, as filed with the Securities and Exchange Commission on February 10, 1999 (File No. 333-72077)).

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Exhibit Number	Description of Exhibit
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4.8*	Letter of Appointment between Peptide Therapeutics Group plc and Alan Smith, dated January 8, 1998, as amended April 30, 1998 (incorporated herein by reference to Exhibit 10.20 to the Company's Registration Statement on Form F-4, as filed with the Securities and Exchange Commission on February 10, 1999 (File No. 333-72077)).
4.9*	Letter of Appointment between Peptide Therapeutics Group plc and Alan Dalby, dated March 25, 1998 (incorporated herein by reference to Exhibit 10.19 to the Company's Registration Statement on Form F-4, as filed with the Securities and Exchange Commission on February 10, 1999 (File No. 333-72077)).
4.10	Letter of Appointment between Acambis plc and Michael Lytton, dated March 12, 2001.
4.11	Letter of Appointment between Acambis plc and Victor Schmitt, dated December 4, 2000.
4.12	Sublease, dated December 21, 2001, between Baxter Capital Corporation and Acambis, Inc.
4.13	First Amendment to Sublease, dated April 16, 2003, between Baxter Capital Corporation and Acambis, Inc.
4.14	Subscription Agreement between Peptide Therapeutics Group plc and Baxter International Inc., dated as of September 19, 2000
4.15**	Vero Cell Know-How License, between and among Baxter AG and Oravax Inc., dated as of September 19, 2000
4.16**	License Agreement between Baxter Vaccine AG and Acambis Inc., dated December 20, 2002
4.17**	Contract Manufacturing Agreement, dated 5 December 2000, between Baxter Healthcare Corporate, Baxter Healthcare S.A., Oravax Inc. and Peptide Therapeutics Group plc
4.18**	ACAM2000 Prime Contract, dated November 28, 2001, between U.S. Government and Acambis, Inc.
4.19**	Modification 0001, dated December 12, 2002, of ACAM2000 Prime Contract between U.S. Government and Acambis, Inc.
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4.24**	Modification 0006, dated February 28, 2003, of ACAM2000 Prime Contract between U.S. Government and Acambis, Inc.
4.25**	Modification 0007, dated May 30, 2003, of ACAM2000 Prime Contract between U.S. Government and Acambis, Inc.
4.26**	Distribution, Manufacturing and License Agreement between Acambis Research Limited, Baxter Healthcare SA and Baxter Healthcare Corporation, dated January 13, 2003
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12.1	Section 302 Certification of John Brown
12.2	Section 302 Certification of Gordon Cameron
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14.1	Consent of PricewaterhouseCoopers LLP
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*	Incorporated by reference.
**	Certain portions of this exhibit have been omitted and filed separately with the Commission pursuant to an application for confidential treatment under Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.
	Previously filed.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this amendment to the annual report on its behalf.

ACAMBIS PLC

By: /s/ Gordon Cameron _____

Name: Gordon Cameron

Title: Chief Financial Officer

Date: October 3, 2003

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