

Sterix Limited

Directors' report and financial statements

Registered number 3337831

31 December 2005



Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2005.

Principal activities and business review

The principal activities of the Company are to research and develop new generation steroid-based products for the treatment of certain cancers as well as metabolic and endocrine-related disorders.

Research and development

The Company is engaged in the research and development of pharmaceuticals for the treatment of human disease. Expenditure on such activities in the period was £4,282,764 (2004: £4,009,726).

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

J C Davis
B V L Potter
M J Reed
C de la Tour
A M Stokes

During 2005 and the eighteen month period ended 31 December 2004 no director had an interest in the shares of the Company or of any affiliated UK company.

Political and charitable contributions

The Company made no political contributions or donations to UK charities in the year (2004: £nil).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board



J C Davis
Secretary

Registered office:
190 Bath Road
Slough
Berkshire
SL1 3XE

Date: 1st March 2006

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare Company financial statements for each financial year. Under that law the directors have elected to prepare the Company's financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the financial statements, the directors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgments and estimates that are reasonable and prudent;
- ◆ state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors' are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the independent auditors to the members of Sterix Limited

We have audited the financial statements (the "financial statements") of Sterix Limited for the year ended 31 December 2005 which comprise the Income Statement, Balance Sheet, Cash Flow Statement, and Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities set out on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

- ♦ give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2005 and of the Company's profit for the year then ended; and
- ♦ the financial statements have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor

Date: 2 March 2006

Income statement
for the year ended 31 December 2005

	<i>Note</i>	Year ended 31 December 2005 £000	Eighteen month period ended 31 December 2004 £000
Revenue	2	-	193
Administrative expenses		(94)	(1,006)
Development expenses		(4,283)	(4,010)
Other operating expenses		-	-
Operating profit/(loss) before net financing costs	3	(4,377)	(4,823)
Financial income	6	3	12
Financial expenses	6	(216)	(1,641)
Net financing costs		(213)	(1,629)
Profit/(loss) before tax		(4,590)	(6,452)
Taxation	7	5,697	4,496
Profit/(loss) for the year/period		1,107	(1,956)
Attributable to:			
Equity holders of the parent		1,107	(1,956)

Statements of recognised income and expense
For the year ended 31 December 2005

	<i>Note</i>	Year ended 31 December 2005 £000	Eighteen month period ended 31 December 2004 £000
Profit/(loss) for the year/period		1,107	(1,956)
Total recognised income and expense	<i>16</i>	1,107	(1,956)
Total recognised income and expense for the period is attributable to:			
Equity holders of the parent		1,107	(1,956)

Balance sheet
at 31 December 2005

	<i>Note</i>	2005 £000	2004 £000
Non-current assets			
Property, plant and equipment	8	-	-
Intangible assets	9	-	-
Deferred tax assets	10	728	970
		<hr/> 728	<hr/> 970
Current assets			
Trade and other receivables	11	420	3,319
Corporation tax receivable		280	440
Cash and cash equivalents	12	-	7
		<hr/> 700	<hr/> 3,766
Total assets		<hr/> 1,428	<hr/> 4,736
Current liabilities			
Bank overdraft	12	75	-
Trade and other payables	13	1,689	717
		<hr/> 1,764	<hr/> 717
Non-current liabilities			
Other interest-bearing loans and borrowings	14	1,653	7,115
		<hr/> 3,417	<hr/> 7,832
Total liabilities			
		<hr/> (1,989)	<hr/> (3,096)
Net assets			
Equity attributable to equity holders of the parent			
Share capital	16	3	3
Share premium	16	8,409	8,409
Retained earnings	16	(10,401)	(11,508)
		<hr/> (1,989)	<hr/> (3,096)
Total equity			

These financial statements were approved by the board of directors on *1st March 2006*
and were signed on its behalf by:

A M STOKES
Director

A M Stokes

J C DAVIS
Director

J C Davis

Cash flow statement
for year ended 31 December 2005

	<i>Note</i>	Year ended 31 December 2005 £000	Eighteen month period ended 31 December 2004 £000
Cash flows from operating activities			
Profit/(loss) for the year/period		1,107	(1,956)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		-	67
Financial income	6	(3)	(12)
Financial expense	6	216	1,641
Loss/(gain) on sale of property, plant and equipment		-	(2)
Taxation charged/(credited)	7	(5,697)	(4,496)
		<hr/>	<hr/>
Operating profit/(loss) before changes in working capital and provisions		(4,377)	(4,758)
Decrease/(increase) in trade and other receivables	11	2,899	(2,561)
Increase/(decrease) in trade and other payables	13	933	(330)
		<hr/>	<hr/>
Cash generated from/(absorbed by) the operations		(545)	(7,649)
Tax received		6,099	3,246
		<hr/>	<hr/>
Net cash from operating activities		5,554	(4,403)
		<hr/>	<hr/>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	2
Interest received	6	3	12
		<hr/>	<hr/>
Net cash from investing activities		3	14
		<hr/>	<hr/>
Cash flows from financing activities			
Interest paid		(177)	(1,626)
Proceeds from new loan		-	5,194
Repayment of loan	14	(5,462)	-
Proceeds from share issue		-	24
		<hr/>	<hr/>
Net cash from financing activities		(5,639)	3,592
		<hr/>	<hr/>
Net increase in cash and cash equivalents		(82)	(797)
Cash and cash equivalents at 1 January 2005 and 1 July 2003		7	804
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	12	(75)	7
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1. Accounting policies

Sterix Limited is a company incorporated in the UK.

Statement of compliance

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"). The Company is preparing its financial statements in accordance with IFRS as adopted for use in the EU for the first time and consequently has applied IFRS 1. An explanation of how the transition to adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 21.

Basis of preparation

The financial statements are prepared on the historical cost basis.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 July 2003 for the purposes of the transition to adopted IFRSs.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Property, plant and equipment

During the year the Company did not have any property, plant and equipment. In the prior period property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

Depreciation was charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives were as follows:

- ♦ Plant and equipment five to ten years

Intangible assets

Expenditure on research activities is recognised in the income statement as an expense when incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense when incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Notes (continued)

1. Accounting policies (continued)

Intangible assets (continued)

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- ♦ Patents four years

Trade and other receivables

Trade and other receivables are stated at their nominal amount less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Impairment

The carrying amounts of the Company's assets and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Interest-bearing borrowings

Interest-bearing borrowings are recognised at fair value. The interest arising on these borrowings is expensed to the Income Statement in the year to which it relates.

Employee benefits

Defined contribution plans

During the year the Company did not have any obligations for contributions to defined contribution pension plans. In the prior period these were recognised as an expense in the income statement as incurred.

Notes (continued)

1. Accounting policies (continued)

Revenue

Turnover comprises the value of sales of services in the normal course of business. Amounts received or receivable in respect of licence fees and royalties are recognised as turnover when applicable conditions stipulated in the relevant agreements have been satisfied or are recognised on a straight line basis over the period of the agreement.

Expenses

Operating lease payments

During the year the Company did not have any operating leases. In the prior period payments made under operating leases were recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received were recognised in the income statement as an integral part of the total lease expense.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: capital losses and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

2. Revenue

Revenue analysed by geographical area

	Year ended 31 December 2005 £000	Eighteen month period ended 31 December 2004 £000
Japan	-	193
	<u> </u>	<u> </u>

3. Expenses

Included in profit/(loss) are the following:

	Year ended 31 December 2005 £000	Eighteen month period ended 31 December 2004 £000
Research and development expensed as incurred	4,283	4,010
Net foreign exchange losses	2	-
	<u> </u>	<u> </u>

Notes (continued)

3. Expenses (continued)

Auditors' remuneration:

	Year ended 31 December 2005 £000	Eighteen month period ended 31 December 2004 £000
Audit	10	16

4. Staff numbers and costs

The Company did not have any employees in the year. The average number of persons employed by the Company (including directors) during the period ended 31 December 2004 were analysed by category as follows:

	Year ended 31 December 2005	Eighteen month period ended 31 December 2004
Administration	-	1
Research and development	-	2
	-	3

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2005 £000	Eighteen month period ended 31 December 2004 £000
Wages and salaries	-	600
Social security costs	-	70
Pension and other costs	-	25
	-	695

5. Directors' emoluments

	Year ended 31 December 2005 £000	Eighteen month period ended 31 December 2004 £000
Directors' emoluments	-	420
Company contributions to money purchase pension plans	-	13
Sums paid to third parties in respect of directors' services	240	409
Compensation for loss of office	-	38

Notes (continued)

5. Directors' emoluments (continued)

	Number of directors	
	Year ended 31 December 2005	Eighteen month period ended 31 December 2004
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	2
	<u> </u>	<u> </u>

6. Finance income and expense

	Year ended 31 December 2005 £000	Eighteen month period ended 31 December 2004 £000
Interest income: Other	3	12
	<u> </u>	<u> </u>
Financial income	3	12
	<u> </u>	<u> </u>
Interest expense: Related parties	216	224
Convertible debt interest (waived)/charged	-	(128)
Non-convertible debt interest, net of waiver	-	1,545
	<u> </u>	<u> </u>
Financial expenses	216	1,641
	<u> </u>	<u> </u>

7. Taxation

Recognised in the income statement

	Year ended 31 December 2005 £000	Eighteen month period ended 31 December 2004 £000
<i>Current tax expense/(income)</i>		
Current year /period	(5,104)	(3,526)
Additional tax losses sold in relation to prior years	(835)	-
	<u> </u>	<u> </u>
	(5,940)	(3,526)
	<u> </u>	<u> </u>
<i>Deferred tax expense/(income)</i>		
Origination and reversal of temporary differences	242	(970)
	<u> </u>	<u> </u>
Total tax credit in income statement	(5,697)	(4,496)
	<u> </u>	<u> </u>

Notes (continued)

7. Taxation (continued)

Reconciliation of effective tax rate

	Year ended 31 December 2005 £000	Eighteen month period ended 31 December 2004 £000
Profit/(loss) before tax	(4,590)	(6,452)
Tax using the UK corporation tax rate of 30% (2004:30 %)	(1,377)	(1,936)
Non-deductible expenses	-	3
Tax exempt revenues	(197)	(322)
Effect of tax losses utilised	(3,288)	(1,775)
Tax losses sold for prior period	(835)	-
Tax losses carried forward	-	486
Recognition of opening deferred tax balance	-	(952)
Total tax credit in income statement	(5,697)	(4,496)

There was no current or deferred tax charged or credited directly to equity in the year or comparative period.

8. Property, plant and equipment

	Plant and equipment		
	Cost £000	Depreciation £000	Net book value £000
Balance at 1 July 2003	174	107	67
Depreciation charge for the period	-	67	(67)
Disposals	(174)	(174)	-
Balance at 31 December 2004 and 31 December 2005	-	-	-

9. Intangibles

	Patents		
	Cost £000	Amortisation £000	Net book value £000
Balance at 1 July 2003 and 31 December 2004	3,900	3,900	-
Balance at 1 January 2005 and 31 December 2005	3,900	3,900	-

Notes (continued)

10. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Property, plant and equipment	(728)	(970)	-	-	(728)	(970)
Net tax (assets) / liabilities	(728)	(970)	-	-	(728)	(970)

Movement in deferred tax during the year

	1 January 2005 £000	Recognised in income £000	31 December 2005 £000
Property, plant and equipment	(970)	242	(728)

Movement in deferred tax during the prior period

	1 July 2003 £000	Recognised in income £000	31 December 2004 £000
Property, plant and equipment	-	(970)	(970)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2005 £000	2004 £000
Trading losses	2,361	2,361

Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profit will be available against which the Company can utilise the benefits there from.

11. Trade and other receivables

	2005 £000	2004 £000
Trade receivables due from related parties	-	2,982
Other trade receivables	107	56
Pre-payments	313	281
	420	3,319

Notes (continued)

12. Cash and cash equivalents

	2005 £000	2004 £000
Cash and cash equivalents per balance sheet	-	7
Overdraft	(75)	-
	<hr/>	<hr/>
Cash and cash equivalents per cash flow statements	(75)	7
	<hr/> <hr/>	<hr/> <hr/>

13. Trade and other payables

	2005 £000	2004 £000
Other trade payables	708	457
Non-trade payables and accrued expenses	927	245
Interest payable to related parties	54	15
	<hr/>	<hr/>
	1,689	717
	<hr/> <hr/>	<hr/> <hr/>

14. Other interest-bearing loans and borrowings

	2005 £000	2004 £000
<i>Non-current liabilities</i>		
Loan from associate	1,653	7,115
	<hr/> <hr/>	<hr/> <hr/>

15. Employee benefits

Defined contribution pension plans

The Company no longer contributes to any externally funded defined contribution pension plans. In the prior period the total expense relating to such plans was £38,000.

16. Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 July 2003	2	8,386	(9,552)	(1,164)
Shares issued	1	25	-	26
Subscription for preferred shares	-	(2)	-	(2)
Total recognised income and expense	-	-	(1,956)	(1,956)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2004	3	8,409	(11,508)	(3,096)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

16. Capital and reserves (continued)

Reconciliation of movement in capital and reserves (continued)

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2005	3	8,409	(11,508)	(3,096)
Total recognised income and expense	-	-	1,107	1,107
Balance at 31 December 2005	3	8,409	(10,401)	(1,989)

Share capital

	Ordinary shares	
Number of shares	2005	2004
In issue at 1 January and 1 July – fully paid	64,968	34,468
In issue at 31 December – fully paid	64,968	64,968
	2005	2004
	£000	£000
<i>Authorised</i>		
Ordinary shares of 5p each	5	5
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 5p each	3	3

17. Commitments

There were no contracted capital commitments at 31 December 2005 (2004: nil).

There were no annual operating lease commitments under non-cancellable operating leases at 31 December 2005 (2004: nil).

At 31 December 2005 the Company had commitments relating to contracted services to be carried out by Imperial College. The Commitments under this contract total £1,422,000 (2004: £2,379,000).

18. Related parties

On 27 February 2004 the Company's entire issued share capital was purchased by Ipsen Limited, a member of the Ipsen SA group. Transactions and balances with fellow group companies since that date are detailed below:

Parent companies

During the year the Company incurred expenses of £49,000 (2004: nil) from parent companies. In addition, the Company sold tax losses of £3,116,000 (2004: £3,244,000) to parent companies.

At the year end there were no outstanding balances with parent companies (2004: nil).

Notes (continued)

18. Related parties (continued)

Other group companies

During the year the Company sold tax losses of £1,988,000 (2004: nil) to other group companies and was charged interest of £216,000 (2004: £224,000).

At the year end the following amounts were due from/(to) other group companies:

	2005 £000	2004 £000
Non-current loan	(1,653)	(7,115)
Interest payable to other group companies - current	(54)	(15)

Prior to 27 February 2004, the issued share capital of the Company was owned by various institutions and transactions with these entities in the period 1 July 2003 to 27 February 2004 are detailed below:

Transactions with Imperial College of Science, Technology and Medicine

Imperial College ('Imperial') was a related party as its subsidiary, Imperial FF&P Gordon House LLP ('Imperial FF&P'), was a significant shareholder in the Company until 27 February 2004. Dr J Burt was the representative of Imperial on the board of the Company.

On 24 February 2004 Imperial FF&P was granted options over 4,656 'C' ordinary shares of 5p each in the Company at an exercise price of £50 per share. On 27 February 2004 the options lapsed.

During the period £1,389,317 (2003: £734,751) was payable to Imperial by the Company in relation to research and development activities. At 31 December 2004 £329,815 (30 June 2003: £255,039) was due to Imperial.

Transactions with the University of Bath

The University of Bath ('Bath') was a related party as it was a significant shareholder in the Company until 27 February 2004.

On 25 February 2004 Bath was granted options over 3,000 'C' ordinary shares of 5p each in the Company at an exercise price of £50 per share. On 27 February 2004 the options lapsed.

During the period £1,217,810 (2003: £715,105) was payable to Bath by the Company in relation to research and development activities. At 31 December 2004 there was no balance due to Bath (30 June 2003: £344,200).

Transactions with Avlar BioVentures Fund 1 Limited Partnership

Avlar BioVentures Fund 1 Limited Partnership ('Avlar') was a related party as it was a significant shareholder in the Company until 27 February 2004. On 2 October 2003, Avlar subscribed for £250,000 of unsecured non-convertible loan stock at par. On 27 February 2004 Avlar's holding of £500,000 of unsecured loan stock was repaid, at which time Avlar waived its right to any premium due in relation to the repayment.

On 27 February 2004 Avlar subscribed for 30,000 preferred shares of 5p each in a rights issue by the Company. On 27 February 2004 Avlar sold its entire holding of 'A' ordinary shares of 5p each in the Company to Imperial College Innovations Limited and its entire holding of preferred shares of 5p each in the Company to Ipsen Limited.

All transactions with related parties are on commercial terms and at arms length value.

Details of the compensation of key management personnel is detailed in note 5.

Notes (continued)

19. Accounting estimates and judgements

Management do not consider that there are any critical accounting judgements in the application of the Company's accounting policies that require disclosure.

20. Ultimate parent company and parent company of larger group

The Company's ultimate parent company is Mayroy SA, which is incorporated in Luxemburg. Mayroy SA heads the largest group in which the results of the Company are consolidated. The smallest group in which they are consolidated is that headed by Ipsen SA, which is incorporated in France. The consolidated financial statements of this group are available to the public and may be obtained from 51/53 rue du Dr Blanche, 75016 Paris, France.

21. Explanation of transition to adopted IFRSs

As stated in note 1, these are the Company's first consolidated financial statements prepared in accordance with adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the period ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 July 2003 (the Company's date of transition).

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its previous basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to adopted IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of loss for the eighteen month period ended 31 December 2004

	<i>Note</i>	£000
UK GAAP loss after tax		(2,926)
Deferred tax credit	(a)	970
		<hr/>
Adopted IFRS loss after tax		(1,956)
		<hr/>

Cash flow statement

Under UK GAAP, the Company was not required to, and did not, prepare a cash flow statement.

Notes (continued)

21. Explanation of transition to adopted IFRS (continued)

Reconciliation of equity

		1 July 2003			31 December 2004	
		Effect of	Adopted		Effect of	Adopted
	UK GAAP	transition	IFRSs	UK	transition	IFRSs
Note	£000	to adopted	£000	GAAP	to adopted	£000
		IFRSs		£000	IFRSs	
Non-current assets						
Property, plant and equipment	67	-	67	-	-	-
Intangible assets	-	-	-	-	-	-
Deferred tax assets	(a)	-	-	-	970	970
	67	-	67	-	970	970
Current assets						
Trade and other receivables	758	-	758	3,319	-	3,319
Corporation tax recoverable	160	-	160	440	-	440
Cash and cash equivalents	804	-	804	7	-	7
	1,722	-	1,722	3,766	-	3,766
Total assets	1,789	-	1,789	3,766	970	4,736
Current liabilities						
Other interest-bearing loans and borrowings	1,921	-	1,921	-	-	-
Trade and other payables	1,032	-	1,032	717	-	717
	2,953	-	2,953	717	-	717
Non-current liabilities						
Other interest-bearing loans and borrowings	-	-	-	7,115	-	7,115
Total liabilities	2,953	-	2,953	7,832	-	7,832
Net assets/(liabilities)	(1,164)	-	(1,164)	(4,066)	970	(3,096)
Equity attributable to equity holders of the parent						
Share capital	2	-	3	3	-	3
Share premium	8,386	-	8,409	8,409	-	8,409
Retained earnings	(a)	(9,552)	(9,552)	(12,478)	970	(11,508)
Total equity	(1,164)	-	(1,164)	(4,066)	970	(3,096)

Notes to the reconciliation of equity

a) The only adjustment to the 2004 accounts is in respect of the recognition of deferred tax assets under IAS12 Income Taxes. This adjustment has not been backed into the opening position at 1 July 2003 as the necessary conditions for the recognition of the asset did not prevail at that time.