Sterix Limited

Directors' report and financial statements

statements

Registered number 3337831

31 December 2006

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2006

Business review and principal activities

Sterix Limited researches and develops new generation steroid-based products for the treatment of certain cancers as well as metabolic and endocrine-related disorders

The financial statements of the Company for the year are set out on pages 5 to 16

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 year was £5,520,775 (2005 £4,282,764) The directors regard investment in research and development as integral to the continuing success of the business

Future outlook

The Company's success in the future will depend on its ability to develop and commercialise new pharmaceutical products

Principal risks and uncertainties

The Company's business is in a changing environment which poses risks that are outside its control The key risks for the Company are connected to research and development failures The directors expect financial support from the Company's parent company to continue

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 2006 and 2005 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 *(2005 £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

Directors' report *(continued)*

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: 19 February 2007

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 financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws

The financial statements are required by law to present fairly the financial position and the performance of the company, 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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 general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and prevent and detect fraud and other irregularities

Report of the independent auditors to the members of Sterix Limited

We have audited the financial statements of Sterix Limited for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 3

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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

Date 23 February 2007

Income statement
for the year ended 31 December 2006

	Note	**2006 £000**	2005 £000
Administrative expenses		**(56)**	(94)
Development expenses		**(5,521)**	(4,283)
Operating profit/(loss) before net financing costs	*2*	**(5,577)**	(4,377)
Financial income	*5*	**7**	3
Financial expenses	*5*	**(161)**	(216)
Net financing costs		**(154)**	(213)
Profit/(loss) before tax		**(5,731)**	(4,590)
Taxation	*6*	**5,453**	5,697
Profit/(loss) for the year		**(278)**	1,107
Attributable to:			
Equity shareholders		**(278)**	1,107

Statements of recognised income and expense
For the year ended 31 December 2006

	Note	**2006** **£000**	2005 £000
Profit/(loss) for the year		**(278)**	1,107
Total recognised income and expense	*13*	**(278)**	1,107
Total recognised income and expense for the year is attributable to:			
Equity shareholders		**(278)**	1,107

Balance sheet
at 31 December 2006

	Note	2006 £000	2005 £000
Non-current assets			
Intangible assets	*7*	-	-
Deferred tax assets	*8*	**546**	728
		546	728
Current assets			
Trade and other receivables	*9*	**119**	420
Corporation tax receivable		-	280
Cash and cash equivalents	*10*	**137**	-
		256	700
Total assets		**802**	1,428
Current liabilities			
Bank overdraft	*10*	-	75
Trade and other payables	*11*	**1,421**	1,689
		1,421	1,764
Non-current liabilities			
Other interest-bearing loans and borrowings	*12*	**1,648**	1,653
Total liabilities		**3,069**	3,417
Net assets/(liabilities)		**(2,267)**	(1,989)
Equity attributable to equity holders of the parent			
Share capital	*13*	**3**	3
Share premium	*13*	**8,409**	8,409
Retained earnings	*13*	**(10,679)**	(10,401)
Total equity		**(2,267)**	(1,989)

These financial statements were approved by the board of directors on 19 February 2007

and were signed on its behalf by

A M STOKES
Director

J C DAVIS
Director

Cash flow statement
for year ended 31 December 2006

	Note	**2006 £000**	2005 £000
Cash flows from operating activities			
Profit/(loss) for the year		**(278)**	1,107
Adjustments for			
Financial income	*5*	**(7)**	(3)
Financial expense	*5*	**161**	216
Taxation charged/(credited)	*6*	**(5,453)**	(5,697)
Operating profit/(loss) before changes in working capital and provisions		**(5,577)**	(4,377)
Decrease/(increase) in trade and other receivables	*9*	**301**	2,899
Increase/(decrease) in trade and other payables	*11*	**(214)**	933
Cash generated from/(absorbed by) the operations		**(5,490)**	(545)
Tax received		**5,915**	6,099
Net cash from operating activities		**425**	5,554
Cash flows from investing activities			
Interest received	*5*	**7**	3
Net cash from investing activities		**7**	3
Cash flows from financing activities			
Interest paid		**(215)**	(177)
Repayment of loan	*12*	**(5)**	(5,462)
Net cash from financing activities		**(220)**	(5,639)
Net increase in cash and cash equivalents		**212**	(82)
Cash and cash equivalents at 1 January		**(75)**	7
Cash and cash equivalents at 31 December	*10*	**137**	(75)

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")

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 16

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

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

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

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

Notes *(continued)*

1. Accounting policies *(continued)*

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

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

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 substantially 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 substantially 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

Notes *(continued)*

2. Expenses

Included in profit/(loss) are the following

	2006 £000	2005 £000
Research and development expensed as incurred	**5,521**	4,283
Net foreign exchange losses	**-**	2

Auditors' remuneration

	2006 £000	2005 £000
Fees payable to the Company's Auditor for the audit of the annual accounts	**10**	10

3. Staff numbers and costs

The Company had no employees in the year 2006 (2005 Nil)

4. Directors' emoluments

	2006 £000	2005 £000
Sums paid to third parties in respect of directors' services	**273**	240

5. Financial income and expenses

	2006 £000	2005 £000
Interest income Other	**7**	3
Financial income	**7**	3
Interest expense Related parties	**161**	216
Financial expenses	**161**	216

Notes *(continued)*

6 Taxation

Recognised in the income statement

	2006 £000	2005 £000
Current tax expense/(income)		
Current year	**(5,920)**	(5,104)
Adjustment to prior years	**285**	(835)
	(5,635)	(5,939)
Deferred tax expense/(income)		
Origination and reversal of temporary differences	**182**	242
Total tax credit in income statement	**(5,453)**	(5,697)

Reconciliation of effective tax rate

	2006 £000	2005 £000
Profit/(loss) before tax	**(5,731)**	(4,590)
Tax using the UK corporation tax rate of 30% *(2005 30 %)*	**(1,719)**	(1,377)
Tax exempt revenues	**(233)**	(197)
Effect of tax losses utilised	**(3,786)**	(3,288)
Tax gains/(losses)sold for prior year	**268**	(835)
Adjustment for prior year	**17**	-
Total tax credit in income statement	**(5,453)**	(5,697)

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

7. Intangibles

	Patents		
	Cost **£000**	***Amortisation*** **£000**	***Net book value*** **£000**
Balance at 1 January 2005 and 31 December 2005	3,900	3,900	-
Balance at 1 January 2006 and 31 December 2006	3,900	3,900	-

Notes *(continued)*

8. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net	
	2006	2005	**2006**	2005	**2006**	2005
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**(546)**	(728)	**-**	-	**(546)**	(728)
Net tax (assets) / liabilities	**(546)**	(728)	**-**	-	**(546)**	(728)

Movement in deferred tax during the year

	1 January 2006 £000	**Recognised in income £000**	**31 December 2006 £000**
Property, plant and equipment	(728)	182	**(546)**

Movement in deferred tax during the prior year

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

Unrecognised deferred tax assets

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

	2006 £000	2005 £000
Trading losses	**2,359**	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 therefrom

9. Trade and other receivables

	2006 £000	2005 £000
Other trade receivables	**96**	107
Pre-payments	**23**	313
	119	420

Notes *(continued)*

10. Cash and cash equivalents

	2006 £000	2005 £000
Cash and cash equivalents per balance sheet	137	-
Overdraft	-	(75)
Cash and cash equivalents per cash flow statements	137	(75)

11. Trade and other payables

	2006 £000	2005 £000
Other trade payables	1,402	708
Non-trade payables and accrued expenses	19	927
Interest payable to related parties	-	54
	1,421	1,689

12. Other interest-bearing loans and borrowings

	2006 £000	2005 £000
Non-current liabilities		
Loan from associate	1,648	1,653

13. 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 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)
Balance at 1 January 2006	3	8,409	(10,401)	(1,989)
Total recognised income and expense	-	-	(278)	(278)
Balance at 31 December 2006	**3**	**8,409**	**(10,679)**	**(2,267)**

Notes *(continued)*

13. Capital and reserves *(continued)*

Share capital

Number of shares	Ordinary shares **2006**	2005
In issue at 1 January – fully paid	**64,968**	64,968
In issue at 31 December – fully paid	**64,968**	64,968

	2006 £000	2005 £000
Authorised		
Ordinary shares of 5p each	**5**	5
Allotted, called up and fully paid		
Ordinary shares of 5p each	**3**	3

14. Commitments

There were no contracted capital commitments at 31 December 2006 *(2005 nil)*

There were no annual operating lease commitments under non-cancellable operating leases at 31 December 2006 *(2005 nil)*

At 31 December 2006 the Company had commitments relating to contracted services to be carried out by Imperial College The Commitments under this contract total £159,608 *(2005 £1,422,000)*

15. Related parties

Parent companies

During the year the Company incurred expenses of £40,000 *(2005 £49,000)* from parent companies In addition, the Company sold tax losses of £3,034,000 (*2005 £3,116,000)* to its parent company

At the year end there were no outstanding balances with parent companies *(2005 nil)*

Other group companies

During the year the Company sold tax losses of £2,618,000 (*2005 £1,988,000)* to other group companies and was charged interest of £161,000*(2005 £216,000)*

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

	2006 £000	2005 £000
Non-current loan	**(1,648)**	(1,653)
Interest payable to other group companies – current	-	(54)

All trading transactions with related parties are on commercial terms and at arms length value Tax losses are sold to associated companies at the rate of £1 per £1 of trading tax loss, including the effect of timing differences

Notes *(continued)*

16. Accounting estimates and judgements

The directors consider that there were no critical accounting judgements in the application of the Company's accounting policies which require disclosure

17. 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