

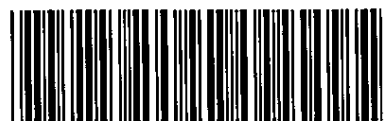
# **Sterix Limited**

## **Directors' report and financial statements**

Registered number 3337831

31 December 2007

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## Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2007

### 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

### Results and dividends

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements and are discussed in the business review below. The directors do not recommend the payment of a dividend

### Business review

#### Financial overview

The Company is engaged in the research and development of pharmaceuticals for the treatment of human disease and during the year new development agreements were signed with Imperial College London and Bath University

#### Financial performance

Financial performance for the year was as follows

	2007 £000	2006 £000	Change £000	%
Development expenses	4,783	5,521	(738)	(13)
Loss before tax	4,971	5,731	(760)	(13)

### Strategy

The Company's strategy is to continue its research and development activities

#### Research and development

Development costs reduced by 13% in 2007 against 2006 due to a lower level of staff-related expenditure on contracted-out external development work during the year

#### Summary of key performance indicators

The directors have monitored the progress of overall Company strategy and individual strategic elements by reference to certain financial and non-financial key performance indicators

	2007	2006	Method of calculation
Change in research and development costs (%)	(13)	29	Year-on-year research and development costs expressed as a percentage
Loss for the year after tax	(22)	(278)	Year-on year loss for the year after tax expressed as a percentage

### Future outlook

The directors believe that the Company's performance will continue at a satisfactory level and that the Company's economic progress in the future will depend on its ability to develop and commercialise successfully its existing or new pharmaceutical projects

### Principal risks and uncertainties

The directors have reviewed the Company's principal risks and uncertainties and these are discussed in notes 19 and 20 to the accounts

## Directors' report *(continued)*

### Directors

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

### Research and development

The Company's focus is on research and development of pharmaceuticals for the treatment of human disease and the directors regard investment in research and development as integral to the continuing success of the business

### Political and charitable contributions

The Company made no political contributions or donations to UK charities in the year (2006 £nil)

### Auditor

During the year Grant Thornton UK LLP was appointed as auditor Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditor annually and Grant Thornton UK 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 12 February 2008

## **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, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs")

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period.

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 adopted IFRSs, 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 which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the Company and hence for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the auditor is unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website and accordingly the auditors accept no responsibility for the information published there. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Report of the independent auditor to the members of Sterix Limited

We have audited the financial statements of Sterix Limited for the year ended 31 December 2007 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and notes 1 to 21. 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 auditor

The directors' responsibilities for preparing the financial statements in accordance with United Kingdom 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 2007 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.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Registered Auditor, Chartered Accountants  
London Thames Valley office  
Slough  
Date *12 February 2009*

**Income statement**  
*for the year ended 31 December 2007*

	<i>Note</i>	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b>
Administrative expenses		(74)	(56)
Development expenses		(4,783)	(5,521)
		<hr/>	<hr/>
<b>Operating profit/(loss) before net financing costs</b>	<b>2</b>	<b>(4,857)</b>	<b>(5,577)</b>
		<hr/>	<hr/>
Financial income	5	5	7
Financial expenses	5	(119)	(161)
		<hr/>	<hr/>
<b>Net financing costs</b>		<b>(114)</b>	<b>(154)</b>
		<hr/>	<hr/>
<b>Profit/(loss) before tax</b>		<b>(4,971)</b>	<b>(5,731)</b>
Taxation	6	4,949	5,453
		<hr/>	<hr/>
<b>Profit/(loss) for the year</b>		<b>(22)</b>	<b>(278)</b>
		<hr/>	<hr/>
<b>Attributable to:</b>			
Equity holders of the parent		(22)	(278)
		<hr/>	<hr/>

**Statement of changes in equity**  
*For the year ended 31 December 2007*

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2006	3	8,409	(10,401)	(1,989)
Total recognised income and expense	-	-	(278)	(278)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006 and at 1 January 2007	3	8,409	(10,679)	(2,267)
Total recognised income and expense	-	-	(22)	(22)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2007</b>	<b>3</b>	<b>8,409</b>	<b>(10,701)</b>	<b>(2,289)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Balance sheet**  
*at 31 December 2007*

	<i>Note</i>	<b>2007</b> <b>£000</b>	2006 £000
<b>Non-current assets</b>			
Intangible assets	7	-	-
Deferred tax assets	8	382	546
		<u>382</u>	<u>546</u>
<b>Current assets</b>			
Trade and other receivables	9	553	119
Cash and cash equivalents	10	135	137
		<u>688</u>	<u>256</u>
<b>Total assets</b>		<u><u>1,070</u></u>	<u><u>802</u></u>
<b>Current liabilities</b>			
Trade and other payables	11	1,957	1,421
<b>Non-current liabilities</b>			
Other interest-bearing loans and borrowings	12	1,402	1,648
		<u>3,359</u>	<u>3,069</u>
<b>Total liabilities</b>		<u><u>3,359</u></u>	<u><u>3,069</u></u>
<b>Net assets/(liabilities)</b>		<u><u>(2,289)</u></u>	<u><u>(2,267)</u></u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	13	3	3
Share premium		8,409	8,409
Retained earnings		(10,701)	(10,679)
		<u>(2,289)</u>	<u>(2,267)</u>
<b>Total equity</b>		<u><u>(2,289)</u></u>	<u><u>(2,267)</u></u>

These financial statements were approved by the board of directors on *12 February 2008*  
and were signed on its behalf by



**A M STOKES**  
*Director*



**J C DAVIS**  
*Director*



**Cash flow statement**  
*for year ended 31 December 2007*

	<i>Note</i>	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b>
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		(22)	(278)
<i>Adjustments for</i>			
Financial income	5	(5)	(7)
Financial expense	5	119	161
Taxation charged/(credited)	6	(4,949)	(5,453)
		<u>(4,857)</u>	<u>(5,577)</u>
<i>Changes in working capital</i>			
Decrease/(increase) in trade and other receivables	9	(434)	301
Increase/(decrease) in trade and other payables	11	536	(214)
		<u>(4,755)</u>	<u>(5,490)</u>
Cash generated from/(absorbed by) operations		5,113	5,915
Tax received		<u>358</u>	<u>425</u>
<i>Net cash from operating activities</i>		<u>358</u>	<u>425</u>
<b>Cash flows from investing activities</b>			
Interest received	5	5	7
		<u>5</u>	<u>7</u>
<i>Net cash from investing activities</i>		<u>5</u>	<u>7</u>
<b>Cash flows from financing activities</b>			
Interest paid		(119)	(215)
Repayment of loan	12	(246)	(5)
		<u>(365)</u>	<u>(220)</u>
<i>Net cash used in financing activities</i>		<u>(365)</u>	<u>(220)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2)</b>	<b>212</b>
<b>Cash and cash equivalents at 1 January</b>		<b>137</b>	<b>(75)</b>
		<u>135</u>	<u>137</u>
<b>Cash and cash equivalents at 31 December</b>	<b>10</b>	<b>135</b>	<b>137</b>

## Notes

*(forming part of the financial statements)*

### 1. Principal accounting policies

Sterix Limited is a company incorporated in the UK

#### ***Basis of preparation***

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union ("adopted IFRSs") as they apply to the financial statements of the Company for the year ended 31 December 2007 and applied in accordance with the Companies Act 1985

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 18

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

The Company has adopted for the first time IFRS 7 *Financial Instruments Disclosures* in its 2007 financial statements. IFRS 7 has been applied retrospectively, i.e. with amendments to the 2006 accounts and their presentation. The 2006 comparatives contained in these financial statements therefore differ from those published in the financial statements for the year ended 31 December 2006. Although IFRS 8 *Operating Segments* has become effective in 2007, the Company is exempt as it is not a listed entity and so has not adopted the requirements. Other standards or interpretations relevant for IFRS financial statements did not become effective during the current financial year. Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect of presentation, recognition and measurement of accounts are described in the following notes

IFRS 7 *Financial Instruments Disclosures* has become mandatory for reporting periods beginning on 1 January 2007 or later. This Standard, which replaces rules previously set out in IAS 32 *Financial Instruments Presentation and Disclosures*, has been applied by the Company in its 2007 financial statements. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. The first-time application of IFRS 7 has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items

The financial statements are presented in sterling, which is also the Company's functional currency, and rounded to the nearest thousand pounds ("£000"), except where indicated

#### ***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

Patents and other intangible assets are recognised at their acquisition cost and stated at cost less accumulated amortisation and impairment losses

## Notes (continued)

### 1. Principal 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. Patents are amortised over their useful period which does not exceed the period of protection. Other intangible assets are amortised from the date they are available for use.

#### *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.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### *Financial assets*

Under IFRS 7, the Company's trade and other receivables are categorised as "Loans and receivables" as they are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The valuation method for this category of financial asset is "amortised cost" using the effective interest method, less any impairment provision. For all current receivables "amortised cost" is effectively cost.

The carrying values of the Company's financial assets are reviewed throughout the year to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised to reduce the asset's carrying value to the estimated recoverable amount. For receivables, this review is based on the latest information available and any financial assets that are substantially past due are also considered for impairment. Any change in the value of financial assets is recognised in the income statement line item "financial expenses" or "financial income", as appropriate.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

## Notes (continued)

### 1 Principal accounting policies (continued)

#### *Financial liabilities*

The Company's financial liabilities include borrowings, trade and other payables, which are measured at amortised cost using the effective interest rate method. For all current payables "amortised cost" is effectively cost.

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value are reported in the income statement line item "financial expenses" or "financial income", as appropriate. Interest arising on borrowings is expensed to the income statement in the year to which it relates.

#### *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 temporary differences relating to trading losses brought forward are not provided for 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.

#### *Standards in issue but not yet effective*

The following accounting standards and interpretations are in issue but have not yet been adopted by the Company:

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (revised 2008) (effective 1 July 2009)
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
- IFRS 3 Business Combinations (revised 2008) (effective 1 July 2009)
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective 1 March 2007)
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

Some of the above will not apply to the Company and those that are applicable are not expected to have a significant impact on the Company's financial statements.

## Notes (continued)

### 2. Expenses

Included in profit/(loss) are the following

	2007 £000	2006 £000
Research and development expensed as incurred	4,783	5,521
Net foreign exchange losses	8	-
	<u>          </u>	<u>          </u>

#### *Auditor's remuneration:*

	2007 £000	2006 £000
Fees payable to the Company's Auditor for the audit of the annual accounts	8	10
	<u>          </u>	<u>          </u>

### 3. Staff numbers and costs

The Company had no employees in the year 2007 (2006 Nil)

### 4 Directors' emoluments

	2007 £000	2006 £000
Sums paid to third parties in respect of directors' services	454	273
	<u>          </u>	<u>          </u>

### 5 Financial income and expenses

	2007 £000	2006 £000
Interest income on bank accounts	5	7
	<u>          </u>	<u>          </u>
Financial income	5	7
	<u>          </u>	<u>          </u>
Interest expense for borrowings from related parties at amortised cost	119	161
	<u>          </u>	<u>          </u>
Financial expenses	119	161
	<u>          </u>	<u>          </u>

## Notes (continued)

### 6. Taxation

#### Recognised in the income statement

	2007 £000	2006 £000
<i>Current tax expense/(income)</i>		
Current year	(5,113)	(5,920)
Adjustment to prior years	-	285
	<u>(5,113)</u>	<u>(5,635)</u>
<i>Deferred tax expense/(income)</i>		
Origination and reversal of temporary differences	137	182
Impact of tax rate change on closing liability	27	-
	<u>164</u>	<u>182</u>
Total tax credit in income statement	<u>(4,949)</u>	<u>(5,453)</u>

#### Reconciliation of effective tax rate

	2007 £000	2006 £000
Profit/(loss) before tax	(4,972)	(5,731)
Tax using the UK corporation tax rate of 30% (2006 30 %)	(1,491)	(1,719)
Tax exempt revenues	(144)	(233)
Effect of tax losses utilised	(3,341)	(3,786)
Impact of tax rate change on closing asset	27	-
Tax losses sold for prior year	-	268
Adjustment for prior year	-	17
Total tax credit in income statement	<u>(4,949)</u>	<u>(5,453)</u>

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

### 7 Intangibles

	Cost £000	Patents Amortisation £000	Net book value £000
Balance at 1 January 2006 and 31 December 2006	3,900	3,900	-
Balance at 1 January 2007 and 31 December 2007	<u>3,900</u>	<u>3,900</u>	<u>-</u>

**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	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
Property, plant and equipment	(382)	(546)	-	-	(382)	(546)
Net tax (assets) / liabilities	(382)	(546)	-	-	(382)	(546)

***Movement in deferred tax during the year***

	1 January 2007 £000	Recognised in income £000	31 December 2007 £000
Property, plant and equipment	(546)	164	(382)

***Movement in deferred tax during the prior year***

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

***Unrecognised deferred tax assets***

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

	2007 £000	2006 £000
Trading losses	2,337	2,359

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

**Notes (continued)**

**9. Trade and other receivables**

	2007 £000	2006 £000
Trade receivable due from related parties	136	-
Other trade receivables	374	96
Pre-payments	43	23
	<u>553</u>	<u>119</u>

All receivables are short-term and the carrying value of trade receivables is considered a reasonable approximation of fair value

All of the trade and other receivables have been reviewed for indicators of impairment and no impairment losses were booked against receivables at the end of the year (2006 £nil) None of the trade receivables were past due as at the reporting date

**10 Cash and cash equivalents**

	2007 £000	2006 £000
Cash and cash equivalents per balance sheet	135	137
Cash and cash equivalents per cash flow statements	<u>135</u>	<u>137</u>

**11 Trade and other payables**

	2007 £000	2006 £000
Trade payables due to related parties	160	-
Other trade payables	1,507	1,402
Non-trade payables and accrued expenses	290	19
	<u>1,957</u>	<u>1,421</u>

All trade and other payables are short term and the carrying values are considered to be a reasonable approximation of fair value

**12 Other interest-bearing loans and borrowings**

	2007 £000	2006 £000
<i>Non-current liabilities</i>		
Loan from associate	<u>1,402</u>	<u>1,648</u>

The loan from an associate is perpetual and the interest rate is set at 1 January each year at the current UK base rate plus 1% In 2007 interest was charged at the rate of 6% (2006 5.5%)



## Notes (continued)

### 13. Capital and reserves

#### Share capital

	Ordinary shares	
	2007	2006
<i>Number of shares</i>		
In issue at 1 January – fully paid	64,968	64,968
	<hr/>	<hr/>
In issue at 31 December – fully paid	64,968	64,968
	<hr/>	<hr/>
	2007	2006
	£000	£000
<i>Authorised</i>		
Ordinary shares of 5p each	5	5
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 5p each	3	3
	<hr/>	<hr/>

### 14. Financial assets and liabilities

#### Financial assets

	Loans and receivables	
	2007	2006
	£000	£000
Trade and other receivables	553	119
Cash and cash equivalents	135	137
	<hr/>	<hr/>
	688	256
	<hr/>	<hr/>

The Company's financial assets are all current and are classified as loans and receivables under IAS 39 and are held at amortised cost

#### Financial liabilities

	Other financial liabilities	
	2007	2006
	£000	£000
Borrowings	1,402	1,648
Trade and other payables	1,957	1,421
	<hr/>	<hr/>
	3,359	3,069
	<hr/>	<hr/>

The Company's financial liabilities are all current and are classified as other financial liabilities under IAS 39 and are held at amortised cost

## Notes (continued)

### 15 Commitments

There were no contracted capital commitments at 31 December 2007 (2006 nil)

There were no annual operating lease commitments under non-cancellable operating leases at 31 December 2007 (2006 nil)

At 31 December 2007 the Company had commitments under service agreements with Imperial College and University of Bath. The commitments under these contracts totalled £1,359,146 (2006 £159,608)

### 16 Contingent liability

The Company and the University of Bath have extended their collaboration by entering into a 5th Development Agreement for the development of steroid and steroid-related therapeutics. The agreement runs for a three year period ending 12 February 2010.

The agreement does not allow the University of Bath to charge Sterix Limited the full economic cost (as defined by the University) of performing the ongoing programme of works and both parties have agreed that an exceptional payment of £1.2 million should be paid to the University of Bath in the event that one of the following should occur:

- the Company and/or any of its affiliates enters into an agreement with a third party whereby a third party is granted the right to develop and/or sell or is assigned rights on a 4th Development Agreement invention or background patent and/or 5th Development Agreement invention
- a company outside the Ipsen group acquires control of the Company or any of its affiliates whereby the Company being acquired owns all or a substantial part of the 4th Development Agreement background patents and/or inventions
- the Company does not offer the University of Bath a 6th Development Agreement on financial terms at least as favourable as those in the 5th Development Agreement

### 17 Related parties

#### Parent companies

During the year the Company incurred expenses of £40,000 (2006 £40,000) from parent companies. In addition, the Company sold tax losses of £5,113,000 (2006 £3,034,000) to its parent company.

At the year end an amount of £136,000 was due from the parent company (2006 nil)

#### Other group companies

During the year the Company was charged interest of £119,000 (2006 £161,000) on loans from other group companies.

No tax losses were sold in the year to another group company (2006 £2,618,000)

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

	2007 £000	2006 £000
Non-current loan	(1,402)	(1,648)

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)

### 18. Accounting estimates and judgements

The preparation of Financial Statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

All accounting estimates used in preparing the financial statements are consistent with internal budgets and forecasts. Judgements are based on information available at each balance sheet date. Although these estimates are based on the best information available to management, actual results may ultimately differ from the estimates.

#### *Research and development accruals*

The value of accrued research and development costs at the year end involves estimates based on the project manager's assessment of the amount of work done by the research institute in the period since the last invoice, in conjunction with the finance team.

### 19 Principal risks and uncertainties

Having examined the Company's principal activity, the directors consider that the main risks arising from research and development of pharmaceuticals are risk of research and development failure and liquidity risk. The directors review and agree policies for managing all such risks which are summarised below. These policies have remained unchanged in the current and prior financial periods.

#### *Research and development failure*

The ultimate cost and success of any research and development programme is uncertain but the Company prepares budgets, plans and forecasts to monitor actively progress during each programme. Should the directors conclude that clinical or financial success is not achievable within the resources available to the Company, such programmes would be halted or amended in order to minimise costs. The programmes would then be reassessed.

### 20. Financial risk management objectives and policies

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk and liquidity risks. The Company's risk management is coordinated at its premises, in close co-operation with the board of directors and with the Ipsen SA group to which it belongs, and focuses on actively securing the Company's short to medium term cash flows by minimising exposure to financial markets. The most significant financial risks to which the Company is exposed are described below.

#### *Interest rate risk*

The Company is part of a group pooling arrangement with other group companies whereby excess funds are lent to or deficits borrowed from other group companies. Rates of interest are set with reference to the market rates ruling in the lender's country. At 31 December 2007, the Company is exposed to changes in market interest rates through its borrowing from group companies, which are subject to variable interest rates as detailed in note 12.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/-9% (2006 +/-4%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Company's financial instruments held at each balance sheet date. All other variables are held constant.

	2007		2006	
	+9%	-9%	+4%	-4%
	£000	£000	£000	£000
Net result for the year	(8)	8	(4)	4
Equity	(8)	8	(4)	4

## **Notes (continued)**

### **20 Financial risk management objectives and policies (continued)**

#### ***Credit risk analysis***

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as detailed in note 14. In respect of trade and other receivables, the Company is not exposed to any significant credit risk with any single counterparty or any group of counterparties having similar characteristics as these balances principally comprise intra-group balances and amounts recoverable for UK VAT. It is Company policy to ensure that all amounts receivable are paid on time and the Company's management consider that the financial assets are not impaired for each of the reporting dates under review and are of good credit quality.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

None of the Company's financial assets are secured by collateral or other credit enhancements.

#### ***Liquidity risk analysis***

The Company does not generate any income from sales of pharmaceutical products but it achieves cash inflows from the sale of tax losses to other group companies. In the event that this arrangement were to cease or such cash inflows were not sufficient to meet its obligations, the Company would require additional financial support from its parent company.

The Company manages its liquidity needs by carefully monitoring payments for long-term financial liabilities as well as cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. The Company works in conjunction with the group treasury department to maintain its cash to meet its liquidity requirements and the directors expect financial support from the Company's parent company to continue.

### **21. Ultimate parent company and parent company of larger group**

The Company's ultimate parent company is Mayroy SA, which is incorporated in Luxembourg. 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.