

Sterix Limited

Directors' report and financial statements

31 December 2012

Registered number 03337831

FRIDAY



A26LQTNK

A40

19/04/2013

#101

COMPANIES HOUSE

Directors' report

The directors present their report and financial statements for the year ended 31 December 2012

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 (2011 £nil)

Business review

Financial overview

The Company is engaged in the research and development of pharmaceuticals for the treatment of human disease

Financial performance

Financial performance for the year was as follows

	2012 £000	2011 £000	Change £000	%
Development expenses	291	11,492	(11,201)	(97%)
Loss before tax	452	11,584	(11,132)	(96%)

Strategy

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

Research and development

Development costs decreased by 97% in 2012 (2011 increase of 42%) reflecting the discontinuation of the endometrial cancer study

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

	2012	2011	Method of calculation
Change in research and development costs (%)	(97)	42	Year-on-year research and development costs expressed as a percentage
Loss for the year after tax	-	-	Year-on-year loss for the year after tax

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 21 and 22 to the accounts. The Company carries on business in a changing environment which poses significant risks for the Company which are outside its control

Directors' report *(continued)*

Business review *(continued)*

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out above

The directors, having assessed the responses of the directors of the Company's parent company to their enquiries, have no reason to believe that a material uncertainty exists that may cause significant doubt about the ability of the Company to continue as a going concern

On the basis of their assessment of the Company's financial position and of the enquiries made of the parent company, the Company's directors have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Directors

The directors who held office during the year were as follows

J C Davis
C De La Tour

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

Payment of suppliers

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Company at 31 December 2012 were equivalent to 123 (2011: 137) days' purchases, based on the average daily amount invoiced by suppliers during the year. However, this calculation is affected by the timing of invoicing for certain services

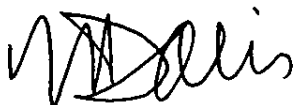
Political and charitable contributions

The Company made no political contributions during the year. Donations to UK charities amounted to £nil (2011: £nil)

Auditor

During the year Constantin was appointed as auditor. The Company is not obliged to reappoint its auditor annually and Constantin will therefore continue in office

By order of the board



J C Davis
Secretary

Registered office
190 Bath Road
Slough
Berkshire
SL1 3XE

Date: 7 February 2013

Company registration number 03337831

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 European Union ("IFRSs"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs and profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware

- there is no relevant audit information of which the Company's 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Sterix Limited

We have audited the financial statements of Sterix Limited for the year ended 31 December 2012 which comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 Part 16 of the Companies Act 2006. 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

As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records or returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Peter Smith FCA (Senior Statutory Auditor)
for and on behalf of Constantia
Chartered Accountants and Statutory Auditor
London, United Kingdom

Dated 7 February 2013

Statement of financial position
at 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Non-current assets			
Intangible assets	9	-	-
Deferred tax assets	10	102	147
		<hr/>	<hr/>
		102	147
		<hr/>	<hr/>
Current assets			
Trade and other receivables	11	364	3,295
Cash and cash equivalents	12	234	98
		<hr/>	<hr/>
		598	3,393
		<hr/>	<hr/>
Total assets		700	3,540
		<hr/>	<hr/>
Equity attributable to owners of the company			
Share capital	15	3	3
Share premium		8,409	8,409
Retained earnings		(15,563)	(15,563)
		<hr/>	<hr/>
Total equity		(7,151)	(7,151)
		<hr/>	<hr/>
Non-current liabilities			
Borrowings	14	7,471	6,167
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	13	380	4,524
		<hr/>	<hr/>
Total liabilities		7,851	10,691
		<hr/>	<hr/>
Total equity and liabilities		700	3,540
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 7 February 2013, authorised for issue and signed on their behalf by



J C DAVIS
Director

The accompanying notes form an integral part of these financial statements

Statement of comprehensive income
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Continuing operations			
Administrative expenses		(49)	(24)
Development expenses		(291)	(11,492)
		<hr/>	<hr/>
Result from operating activity	4	(340)	(11,516)
Net finance costs	7	(112)	(68)
		<hr/>	<hr/>
Loss before tax		(452)	(11,584)
Tax credit	8	452	11,584
		<hr/>	<hr/>
Loss for the financial year and total comprehensive income for the year		<hr/> <hr/>	<hr/> <hr/>
Attributable to Owners of the Company		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements

Statement of changes in equity
for the year ended 31 December 2012

	Share capital £000	Share premium £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2011 and at 31 December 2011	3	8,409	(15,563)	(7,151)
Balance at 1 January 2012 and at 31 December 2012	3	8,409	(15,563)	(7,151)

The accompanying notes form an integral part of these financial statements

Statement of cash flows
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Cash flows from operating activities			
Loss for the year		-	-
<i>Adjustments for</i>			
Net finance costs	7	112	68
Taxation credited	8	(452)	(11,584)
		(340)	(11,516)
<i>Changes in working capital</i>			
Change in trade and other receivables	11	3,020	374
Change in trade and other payables	13	(4,147)	(6,594)
		(1,467)	(17,736)
Cash absorbed by the operations		497	11,598
<i>Net cash from operating activities</i>		(970)	(6,138)
Cash flows from investing activities			
Interest received	7	2	-
Funds repaid by/(lent to) group companies	11	(89)	-
<i>Net cash from/(used in) investing activities</i>	9	(87)	-
Cash flows from financing activities			
Net interest paid		(111)	(43)
Increase in loan	14	1,304	6,167
<i>Net cash from financing activities</i>		1,193	6,124
Net increase/(decrease) in cash and cash equivalents		136	(14)
Cash and cash equivalents at 1 January		98	112
Cash and cash equivalents at 31 December	12	234	98

The accompanying notes from an integral part of these financial statements

Notes

(forming part of the financial statements)

1 Reporting entity

Sterix Limited (the "Company") is a company incorporated in the UK. The address of the Company's registered office is 190 Bath Road, Slough, Berkshire SL1 3XE. The Company is primarily involved in the research and development of new generation steroid-based products for the treatment of certain cancers as well as metabolic and endocrine-related disorders.

2 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 ("IFRSs as adopted by the EU"), the Companies Act 2006 that applies to companies reporting under IFRS, and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements have been prepared on the historical cost basis except where indicated otherwise in note 3.

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

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 20.

The Company is dependent on the on-going support of its parent and associated companies, which will continue for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

3. Principal accounting policies

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

Intangible assets

Expenditure on research activities is recognised in the statement of comprehensive income 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 statement of comprehensive income as an expense when incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Licence rights, software licences and other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Notes (continued)

3. Principal accounting policies (continued)

Intangible assets (continued)

Amortisation is charged to the statement of comprehensive income 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 statement of financial position date. Licence rights and associated development costs are carried at cost, subject to impairment review, and amortised from the date of issue of marketing approval. Other intangible assets are amortised from the date they are available for use.

Impairment

The carrying amounts of the Company's assets, inventories and deferred tax assets are reviewed at each statement of financial position 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 statement of comprehensive income.

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 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 loans, 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.

Notes (continued)

3 Principal accounting policies (continued)

Financial assets (continued)

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 statement of comprehensive income line item "finance costs" or "finance income", as appropriate.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

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 statement of comprehensive income line item "finance costs" or "finance income", as appropriate. Interest arising on borrowings is expensed to the statement of comprehensive income 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 statement of comprehensive income 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 statement of financial position 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 investments in subsidiaries 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 statement of financial position 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.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue
- "Retained earnings" represents retained profits

Notes (continued)

3. Principal accounting policies (continued)

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

- IFRS 9 Financial Instruments (effective 1 January 2015)*
- IFRS 11 Joint Arrangements (effective 1 January 2013)*
- IFRS13 Fair Value Measurement (effective 1 January 2013)*
- IAS 19 Employee Benefits (revised June 2011) (effective 1 January 2013)*
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (effective 1 January 2013)*
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)*
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)*

* not yet adopted by the EU

None of the standards listed above is expected to have a significant impact on the values presented in the Company's financial statements

4 Expenses

Included in the loss are the following expenses

	2012 £000	2011 £000
Research and development expensed as incurred	291	11,492
Net foreign exchange (gains)/losses	-	(35)
Fees payable to the Company's auditor for the audit of the annual financial statements	5	10
	<hr/>	<hr/>

The Company has entered into a liability limitation agreement with Constantin, the Company's statutory auditor

5. Staff numbers and costs

The Company had no employees in the year 2012 (2011 nil)

6. Directors' emoluments

There were no sums paid in respect of directors' services in the year 2012 (2011 nil)

Notes (continued)

7. Net finance costs

	2012 £000	2011 £000
Interest expense for borrowings from related parties at amortised cost	114	68
Interest income from related parties on financial assets carried at amortised cost	(2)	-
	<hr/>	<hr/>
Net finance costs	112	68
	<hr/>	<hr/>

8 Taxation

Recognised in the statement of comprehensive income

	2012 £000	2011 £000
<i>Current tax income</i>		
Current year	497	11,598
	<hr/>	<hr/>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	(35)	(50)
Previously unrecognised temporary difference	-	34
Impact of tax rate change on closing liability	(10)	2
	<hr/>	<hr/>
	(45)	(14)
	<hr/>	<hr/>
Total tax credit in the statement of comprehensive income	452	11,584
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2012 £000	2011 £000
(Loss)/profit before tax	(452)	(11,584)
	<hr/>	<hr/>
Tax using the effective UK corporation tax rate of 24.5% (2011: 26.5%)	(111)	(3,070)
Tax exempt revenues	-	(8)
Group relief	(351)	(8,470)
Previously unrecognised temporary difference	-	(34)
Impact of tax rate change on closing asset	(10)	(2)
	<hr/>	<hr/>
Total tax charge/(credit) in the statement of comprehensive income	(452)	(11,584)
	<hr/>	<hr/>

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

Notes (continued)

9. Intangible assets

	Patents		
	Cost £000	Amortisation £000	Net book value £000
Balance at 1 January 2011 and 31 December 2011	3,900	3,900	-
Balance at 1 January 2012 and 31 December 2012	3,900	3,900	-

Amortisation and impairment charge

No amortisation charge was recognised during the year in the statement of comprehensive income

10. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Property, plant and equipment	(102)	(147)	-	-	(102)	(147)
Net tax liabilities/(assets)	(102)	(147)	-	-	(102)	(147)

Movement in deferred tax during the year

	1 January 2012 £000	Recognised in income £000	31 December 2012 £000
Property, plant and equipment	(147)	45	(102)

Movement in deferred tax during the prior year

	1 January 2011 £000	Recognised in income £000	31 December 2011 £000
Property, plant and equipment	(161)	14	(147)

Unrecognised deferred tax assets

	2012 £000	2011 £000
Deferred tax assets have not been recognised in respect of the following items		
Trading losses	2,752	2,989

Deferred tax assets have not been recognised in respect of trading losses as it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom

Notes (continued)

11. Trade and other receivables

	2012	2011
	£000	£000
Receivables from related party	270	3,277
Other receivables	5	18
Loans due from related parties	89	-
	<hr/> 364 <hr/>	<hr/> 3,295 <hr/>

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

The interest rate on loans for overseas companies is based on the LIBOR three-month rate. In 2012 the average rate of interest charged was 0.77% (2011: 0.87%)

All of the other 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 (2011: £nil). None of the trade receivables were past due as at the reporting date.

12. Cash and cash equivalents

	2012	2011
	£000	£000
Cash and cash equivalents per the statement of financial position and statement of cash flow	234	98
	<hr/> 234 <hr/>	<hr/> 98 <hr/>

13. Trade and other payables

	2012	2011
	£000	£000
Trade payables due to related parties	269	4,317
Non-trade payables and accrued expenses	83	182
Interest due to related parties	28	25
	<hr/> 380 <hr/>	<hr/> 4,524 <hr/>
Current trade and other payables	380	4,524

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

14. Borrowings

	2012	2011
	£000	£000
<i>Non-current liabilities</i>		
Unsecured loans from related parties at amortised cost	7,471	6,167
	<hr/> 7,471 <hr/>	<hr/> 6,167 <hr/>

Loans from related parties are perpetual. The interest rate on UK loans is set at 1 January each year at the current UK base rate plus 1%. In 2012 interest was charged at the rate of 1.5% (2011: 1.5%).

Notes (continued)

15. Share capital

	Ordinary shares	
	2012	2011
	Number	Number
In issue at 1 January and 31 December – fully paid	64,968	64,968
	2012	2011
	£000	£000
<i>Authorised</i>		
Ordinary shares of 5p each	5	5
<i>Allotted, called up and fully paid</i>		
ordinary shares at 5p each	3	3

16. Financial assets and liabilities

Fair value information

	2012		2011	
	Fair value	Carrying amount	Fair value	Carrying amount
	£000	£000	£000	£000
<i>Assets</i>				
Trade and other receivables	364	364	3,295	3,295
Cash and cash equivalents	234	234	98	98
<i>Liabilities</i>				
Borrowings	7,471	7,471	6,167	6,167
Trade and other payables	380	380	4,524	4,524

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction

Measurement methods for financial assets and liabilities accounted for at amortised cost are described below

The carrying amount of trade and other receivables, cash and cash equivalents, and trade and other payables is considered a reasonable approximation of fair value

Financial assets	Loans and receivables	
	2012	2011
	£000	£000
Trade and other receivables	364	3,295
Cash and cash equivalents	234	98
	598	3,393

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

Notes (continued)

16. Financial assets and liabilities (continued)

Financial liabilities

Other financial liabilities

	2012 £000	2011 £000
Borrowings	7,471	6,167
Trade and other payables	380	4,524
	<hr/>	<hr/>
	7,851	10,691
	<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

17. Commitments

There were no contracted capital commitments at 31 December 2012 (2011 £nil)

There were no annual operating lease commitments under non-cancellable operating leases at 31 December 2012 (2011 £nil)

At 31 December 2011 the Company had no commitments under a service agreement (2011 £nil)

18. Contingent liability

At 31 December 2012 there were no contingent assets or liabilities that required disclosure in the Company's financial statements (2011 £nil)

19. Related parties

Parent companies

During the year the Company did not incur expenses from parent companies (2011 £148,000) and was charged net interest of £3,000 (2011 £9,000)

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

	2012 £000	2011 £000
<i>Non - current</i>		
Borrowings	-	(927)
<i>Current</i>	<hr/>	<hr/>
Loans receivable	89	-
Trade amounts due from/ (to) parent companies	-	(148)
Interest payable to/(from) parent companies	-	(6)
	<hr/>	<hr/>

Other group companies

During the year the Company incurred expenses of £57,000 (2011 £10,598,000) from other group companies and was charged interest of £109,000 (2011 £59,000) on loans from other group companies. In the current year the Company sold £496,000 of tax losses (2011 £11,598,000) to other group companies

Notes *(continued)*

19. Related parties *(continued)*

Other group companies *(continued)*

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

	2012 £000	2011 £000
<i>Current</i>		
Trade amounts due from other group companies	270	3,277
<i>Non - current</i>		
Borrowings from other group companies	(7,471)	(5,240)
<i>Current</i>		
Trade amounts due to other group companies	(269)	(4,169)
Interest payable to other group companies	(28)	(19)

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

20. 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 statement of financial position date. Although these estimates are based on the best information available to management, actual results may ultimately differ from those 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 in conjunction with the finance team of the amount of work done by the research institute in the period since the last invoice.

Taxation

The Company estimates tax liabilities for undetermined years. Any differences arising between the final tax liability and the amounts recorded in the financial statements will impact on the tax charge in the year in which the determination is made.

21. 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 re-assessed.

Notes (continued)

22. Financial risk management objectives and policies

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk and 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 the exposure to financial markets. The most significant financial risks to which the Company is exposed are described below.

Exchange rate risk

All of the Company's R&D activity is conducted via overseas group companies and is primarily denominated in US dollars and euros. Any funding of foreign currency or hedging required is dealt with by the group's treasury function, in conjunction with local management.

Foreign currency denominated financial assets and liabilities, translated into sterling at the closing rate, are as follows:

Nominal amounts	2012		2011	
	Euro £000	USD £000	Euro £000	USD £000
Financial liabilities	269	-	4,295	17

The following tables illustrate the sensitivity of the net result for the year and equity with regard to the Company's financial liabilities, the euro to UK sterling exchange rate and the US dollar to UK sterling exchange rate.

The tables assume a +/-2% change of the sterling/euro exchange rate for the year ended at 31 December 2012 (2011: 2%). A +/-3% change is included for the sterling/US-dollar exchange rate (2011: 27%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each statement of financial position date.

If sterling had strengthened against the euro and US dollar by 2% (2011: 2%) and 3% (2011: 2%) respectively, this would have had the following impact:

	2012		2011	
	Euro £000	USD £000	Euro £000	USD £000
Net result for the year and impact on equity	5	-	81	-

If sterling had weakened against the euro and US dollar by 2% (2011: 2%) and 3% (2011: 2%) respectively, this would have had the following impact:

	2012		2011	
	Euro £000	USD £000	Euro £000	USD £000
Net result for the year and impact on equity	(5)	-	(85)	-

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

Notes (continued)

22. Financial risk management objectives and policies (continued)

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 2012, the Company is exposed to changes in market interest rates through its borrowing from group companies, which are subject to the variable interest rates as detailed in note 14.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/-23% (2011 +/-17%), 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 statement of financial position date. All other variables are held constant.

	2012		2011	
	+23%	-23%	+17%	-17%
	£000	£000	£000	£000
Net result for the year and impact on equity	3	(3)	3	(3)

Credit risk analysis

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the financial year, as detailed in note 16. 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.

Notes (continued)

23. Capital management policies and procedures

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarised as follows:

The Company's goal in capital management is to maintain a debt to equity ratio of less than 2:1. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

	2012 £000	2011 £000
Total equity	(7,151)	(7,151)
Loans to related parties	(7,471)	(6,167)
Borrowings from related parties	89	-
Net total debt	(7,382)	(6,167)
Debt to equity ratio	1.0	0.9

24. Ultimate parent company and parent company of larger group

The Company's immediate parent company is Ipsen Developments Limited. The Company's ultimate parent company and controlling party is Beech Tree SA, which is incorporated in Luxembourg.

Beech Tree SA heads the largest group in which the results of the Company are consolidated. The smallest group in which the results of the Company are consolidated is that headed by Ipsen SA, which is incorporated in France. The consolidated financial statements of Ipsen SA are available to the public and may be obtained from 65 quai Georges Gorse, 92100 Boulogne-Billancourt, France.

~~~~~