

STERIX LIMITED
REPORT AND ACCOUNTS
31 DECEMBER 2004



Company registration number: 03337831

STERIX LIMITED

DIRECTORS' REPORT 31 DECEMBER 2004

The directors present their report on the affairs of the Company together with the audited accounts for the eighteen month period ended 31 December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company are to research and develop new generation steroid-based products for the treatment of certain cancers as well as metabolic and endocrine-related disorders. On 27 February 2004 the entire equity capital of the Company was acquired by Ipsen Limited, a UK company.

RESULTS AND DIVIDENDS

The results of the Company for the period are set out on pages 5 to 16. The directors do not recommend the payment of a dividend (2003: nil).

SHARE CAPITAL

During the period 30,000 preferred shares of 5p each and 500 ordinary shares of 5p each were issued. The preferred shares were allotted in a rights issue at a value of 0.5p each. The ordinary shares were allotted at a value of £50 each.

RESEARCH AND DEVELOPMENT

The Company is engaged in the research and development of pharmaceuticals for the treatment of human disease. Expenditure on such activities in the period was £4,009,726 (2003: £3,435,080).

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the period were:

J Burt	(resigned 27 February 2004)
J C Davis	(appointed 27 February 2004)
A Goodman	(resigned 26 February 2004)
P Johnson	(resigned 27 February 2004)
J Normanton	(resigned 27 February 2004)
B V L Potter	
M J Reed	
C de la Tour	(appointed 27 February 2004)
A M Stokes	(appointed 27 February 2004)

At 31 December 2004, no director had an interest in the shares of the Company or of any affiliated UK company.

STERIX LIMITED

DIRECTORS' REPORT
31 DECEMBER 2004
(CONTINUED)

AUDITORS

During the period PricewaterhouseCoopers LLP resigned as auditors of the Company. In accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of KPMG LLP as auditors of the Company was approved by the Board.

Pursuant to section 386 of the Companies Act 1985, an elective resolution was passed on 10 May 2004 dispensing with the requirement to appoint auditors annually. 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: 3 March 2005

STERIX LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare for each financial period financial statements which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to enable the directors to ensure that the financial statements comply with the Companies Act 1985. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
STERIX LIMITED

We have audited the financial statements on pages 5 to 16.

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 auditors' 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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the Company's affairs as at 31 December 2004 and of its loss for the eighteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditor

London

Date: 18 March 2005

STERIX LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE EIGHTEEN MONTH PERIOD ENDED 31 DECEMBER 2004

	Notes	Period ended 31 December 2004 £000	Year ended 30 June 2003 £000
TURNOVER	2	193	1,647
Operating expenses	3	(5,016)	(4,117)
		—	—
OPERATING LOSS		(4,823)	(2,470)
Interest receivable and similar income	5	12	35
Interest payable and similar charges	6	(1,641)	(296)
		—	—
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,452)	(2,731)
Tax on loss on ordinary activities	9	3,525	159
		—	—
LOSS FOR THE FINANCIAL PERIOD		(2,927)	(2,572)
		=====	=====

The Company's operations are all continuing, as defined by FRS3.

There were no recognised gains and losses other than the loss of £2,927,000 for the eighteen month period ended 31 December 2004 (year ended 31 December 2003: loss of £2,572,000).

The accompanying notes are an integral part of the financial statements.

STERIX LIMITED

BALANCE SHEET AT 31 DECEMBER 2004

	Notes	31 December 2004 £000	30 June 2003 £000
FIXED ASSETS			
Intangible assets	10	-	-
Tangible assets	11	-	67
		<hr/>	<hr/>
		-	67
CURRENT ASSETS			
Debtors	12	3,759	918
Short-term investments		-	775
Cash at bank and in hand		7	29
		<hr/>	<hr/>
		3,766	1,722
CREDITORS: Amounts falling due within one year	13	(717)	(1,512)
Convertible loan stock	15	-	(1,441)
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		3,049	(1,231)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,049	(1,164)
CREDITORS: Amounts falling due after one year	16	(7,115)	-
		<hr/>	<hr/>
NET ASSETS		(4,066)	(1,164)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital		3	2
Share premium account		8,409	8,386
Profit and loss account		(12,479)	(9,552)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS: EQUITY		(4,066)	(1,164)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on *3 March 2005* and were signed on behalf of the board by:

A M STOKES

Mark Stokes

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) Directors

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J C DAVIS

J Davis

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The accompanying notes are an integral part of the financial statements.

STERIX LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2004

1. ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below, all of which have been applied consistently throughout the period:

a. Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules and on a going concern basis.

b. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. All exchange differences are included in the profit and loss account.

c. Turnover

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

d. Research and development

Research and development expenditure incurred by the Company is charged to the profit and loss account as incurred.

e. Pensions

The Company contributed to externally funded defined contribution personal pension schemes in respect of certain directors and staff. All such costs were charged to the profit and loss account as incurred.

f. Operating leases

Operating lease payments were charged to the profit and loss account as incurred.

g. Intangible fixed assets

Intangible fixed assets are included in the accounts at cost and amortisation is provided on a straight line basis over four years to write off the cost of each asset over its expected useful life.

STERIX LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2004
(CONTINUED)

1. ACCOUNTING POLICIES (Continued)

h. Tangible fixed assets

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful life, as follows:

Laboratory equipment – four years
Computer equipment – two years
Furniture and fixtures – four years

Profits and losses on the disposal of fixed assets are included in the profit and loss account.

i. Deferred taxation

Provision is made for deferred taxation using the liability method on all material timing differences which are not expected to continue for the foreseeable future.

j. Share options

In accordance with the provisions of Urgent Issues Task Force Abstract 17 (“UITF 17”), “Employee Share Schemes”, the Company made charges to the profit and loss account when options were granted or shares issued, the charge being the estimated intrinsic value of the shares at the date of grant less the exercise price of the options, or subscription price of the shares as appropriate. The charge was credited back to reserves. The charge and credit were recognised on a straight line basis over the period between the date of grant and the earliest date of exercise. All outstanding share options lapsed at 27 February 2004.

k. Convertible and non-convertible debt

Convertible and non-convertible debt were initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount was increased by the amortised finance cost each year and reduced by the interest paid. The finance cost was calculated as the difference between the total repayments and the net proceeds and amortised in the profit and loss account over the term of the loan stock. Convertible debt was reported as a liability until conversion occurred. All outstanding conversion rights lapsed at 27 February 2004.

l. Cash flow statement

Under the exemption permitted by FRS1 (revised) whereby a cash flow statement need not be prepared by a subsidiary undertaking controlled by a parent which itself publishes a consolidated cash flow statement, a cash flow statement has not been prepared.

STERIX LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2004
(CONTINUED)

	Period ended 31 December 2004 £000	Year ended 30 June 2003 £000
2. TURNOVER BY GEOGRAPHICAL AREA		
Japan	193	1,342
Europe	-	<u>305</u>
	<u>193</u>	<u>1,647</u>

3. OPERATING EXPENSES

Research and development	4,010	3,435
Administrative expenses	<u>1,006</u>	<u>682</u>
	<u>5,016</u>	<u>4,117</u>

Administrative expenses include compensation of nil (2003: £66,273) in respect of share options.

	Period ended 31 December 2004 £000	Year ended 30 June 2003 £000
4. OPERATING LOSS		
Operating loss is stated after charging:		
Depreciation	67	34
Amortisation of intangible fixed assets	-	687
Auditors' remuneration for audit services	16	11
Auditors' remuneration for non-audit services	-	5
Property and other operating lease rentals	20	90
Hire of plant and machinery under operating leases	<u>-</u>	<u>4</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

Other interest	<u>12</u>	<u>35</u>
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6. INTEREST PAYABLE AND SIMILAR CHARGES

Group company loans	224	-
Convertible debt interest (waived)/charged	(128)	225
Non-convertible debt interest, net of waiver	<u>1,545</u>	<u>71</u>
	<u>1,641</u>	<u>296</u>

STERIX LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2004
(CONTINUED)

	Period ended 31 December 2004 £000	Year ended 30 June 2003 £000
7. DIRECTORS' REMUNERATION		
Directors' emoluments	420	271
Company contributions to externally funded defined contribution pension schemes in respect of two directors (2003: three directors)	13	33
Sums paid to third parties in respect of directors' services	409	126
Compensation for loss of office	<u>38</u>	<u>-</u>

The emoluments of the highest paid director were £165,502 (2003: £91,978) and the Company made no pension contributions on his behalf (2003: £14,640).

	Period ended 31 December 2004 £000	Year ended 30 June 2003 £000
8. STAFF COSTS		
Wages and salaries	600	492
Social security costs	70	50
Pension and other costs	<u>25</u>	<u>54</u>
	<u>695</u>	<u>596</u>

The average number of staff employed by the Company during the period, including directors, was:

	2004 Number	2003 Number
Research and Development	1	5
Administration	<u>2</u>	<u>4</u>
	<u>3</u>	<u>9</u>

At 31 December 2004 the Company had no employees.

	Period ended 31 December 2004 £000	Year ended 30 June 2003 £000
9. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES		
a) Analysis of credit in the year:		
UK corporation tax at 30% (2003: 30%)	-	-
UK research and development tax credit at 16% (2003:16%)	281	159
Sale of tax losses available for group relief	<u>3,244</u>	<u>-</u>
Total current tax	<u>3,525</u>	<u>159</u>
Total deferred tax	<u>-</u>	<u>-</u>
Tax credit on loss on ordinary activities	<u>3,525</u>	<u>159</u>

STERIX LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2004
(CONTINUED)

	Period ended 31 December 2004 £000	Year ended 30 June 2003 £000
9. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES (continued)		
b) Factors affecting current tax credit in period:		
Loss on ordinary activities before tax	<u>(2,927)</u>	<u>(2,731)</u>
Tax on loss on ordinary activities at UK standard rate of 30% (2003: 16%)	(878)	(437)
Effects of:		
Depreciation in excess of capital allowances	(223)	110
Short term timing differences	-	(8)
Expenses not deductible for tax purposes	12	(49)
Other tax adjustments	(372)	-
Tax losses group relieved	(2,064)	-
Tax losses created	<u>-</u>	<u>225</u>
Total current tax credit for the period	<u>(3,525)</u>	<u>(159)</u>

10. INTANGIBLE FIXED ASSETS

	Cost £000	Patents Amortisation £000	Net book value £000
At start and end of period	<u>3,900</u>	<u>(3,900)</u>	<u>-</u>

11. TANGIBLE FIXED ASSETS

	Cost £000	Plant and equipment Depreciation £000	Net book value £000
At start of period	174	107	67
Depreciation charge for period	-	67	(67)
Disposals	<u>(174)</u>	<u>(174)</u>	<u>-</u>
At end of period	<u>-</u>	<u>-</u>	<u>-</u>

STERIX LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2004
(CONTINUED)

	2004 £000	2003 £000
12. DEBTORS		
Trade debtors	-	527
VAT recoverable	56	22
Corporation tax recoverable	440	160
Amounts due from group undertakings	2,982	-
Other debtors	-	83
Prepayments and accrued income	<u>281</u>	<u>126</u>
	<u>3,759</u>	<u>918</u>
13. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR		
Unsecured non-convertible loan stock	-	480
Trade creditors	457	677
Amounts due to group undertakings	15	-
Other creditors	-	4
Accruals	<u>245</u>	<u>351</u>
	<u>717</u>	<u>1,512</u>
14. UNSECURED NON-CONVERTIBLE LOAN STOCK		
At start of period	<u>480</u>	<u>-</u>
Issued during period at par	475	475
Less issue costs	<u>-</u>	<u>(66)</u>
Net proceeds	475	409
Finance costs charged	3,045	71
Finance costs waived	(1,500)	-
Repayment	<u>(2,500)</u>	<u>-</u>
At end of period	<u>-</u>	<u>480</u>

On 2 October 2003 £475,000 of unsecured non-convertible loan stock was subscribed for at par. On 27 February 2004 the unsecured non-convertible loan stock became repayable at its par value of £950,000 with a premium of £3,050,000, of which £1,500,000 was waived.

STERIX LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2004
(CONTINUED)

	2004 £000	2003 £000
15. CONVERTIBLE LOAN STOCK		
At start of period	<u>1,441</u>	<u>1,005</u>
Issued during period at par	-	1,000
Less issue costs	<u>-</u>	<u>(40)</u>
Net proceeds	-	960
Finance costs charged	105	225
Finance costs waived	(233)	-
Converted to preferred shares	-	(749)
Repayment	<u>(1,313)</u>	<u>-</u>
At end of period	<u>-</u>	<u>1,441</u>
On 27 February 2004 the convertible loan stock became repayable at its par value of £1,312,500 with accrued interest at 12% per annum of £233,000, which was waived.		
	2004 £000	2003 £000
16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Amounts due to group undertakings after more than one year but less than five years	<u>7,115</u>	<u>-</u>
	2004 £	2003 £
17. CALLED-UP SHARE CAPITAL		
Authorised share capital		
Nil preferred shares of 5p each (30 June 2003: 60,000)	-	3,000
Nil 'A' ordinary shares of 5p each (30 June 2003: 15,000)	-	750
Nil 'B' ordinary shares of 5p each (30 June 2003: 15,000)	-	750
Nil 'C' ordinary shares of 5p each (30 June 2003: 16,000)	-	800
108,000 ordinary shares of 5p each (30 June 2003: 2000)	<u>5,400</u>	<u>100</u>
	<u>5,400</u>	<u>5,400</u>
Allotted, called-up and fully paid		
Nil preferred shares of 5p each (30 June 2003: 14,718)	-	736
Nil 'A' ordinary shares of 5p each (30 June 2003: 7,236)	-	362
Nil 'B' ordinary shares of 5p each (30 June 2003: 4,000)	-	200
Nil 'C' ordinary shares of 5p each (30 June 2003: 7,656)	-	383
64,968 ordinary shares of 5p each (30 June 2003: 858)	<u>3,248</u>	<u>43</u>
	<u>3,248</u>	<u>1,724</u>

STERIX LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2004
(CONTINUED)

17. CALLED-UP SHARE CAPITAL (continued)

During the period new shares were issued and allotted as described in the Directors' Report.

On 10 May 2004 all preferred, 'A' ordinary, 'B' ordinary and 'C' ordinary shares were converted into the same number of ordinary shares of 5p each.

Options were granted over the following number of 'B' ordinary shares of 5p each:

Date of grant	No. of options	Exercise price per share	Date of first vesting	Date of expiry
22.12.2000	100	£175.00	22.12.2003	22.12.2010
11.05.2001	392	£0.05	20.12.2003	11.05.2011

No options were exercised and all options lapsed on 27 February 2004 when the Company was acquired by Ipsen Limited.

	2004 £000	2003 £000
18. SHARE PREMIUM ACCOUNT		
At start of period	8,386	7,612
Premium on shares issued	25	773
Subscription for preferred shares	<u>(2)</u>	<u>-</u>
At end of period	<u>8,409</u>	<u>8,386</u>
19. PROFIT AND LOSS ACCOUNT		
At start of period	(9,552)	(7,046)
Reversal of share compensation charge	-	66
Loss for period	<u>(2,927)</u>	<u>(2,572)</u>
At end of period	<u>(12,479)</u>	<u>(9,552)</u>
20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Loss for the period attributable to shareholders of the Company	(2,927)	(2,572)
Net proceeds of issue of share capital	25	774
Reversal of share compensation charge	<u>-</u>	<u>66</u>
Net decrease in shareholders' funds	(2,902)	(1,732)
Shareholders' funds at start of period	<u>(1,164)</u>	<u>567</u>
Shareholders' funds at end of period	<u>(4,066)</u>	<u>(1,164)</u>

STERIX LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2004 (CONTINUED)

21. COMMITMENTS

There were no contracted capital commitments at 31 December 2004 (30 June 2003: nil).

There were no annual operating lease commitments under non-cancellable operating leases at 31 December 2004 (30 June 2003: nil).

At 31 December 2004 the Company had commitments relating to contracted services to be carried out by Imperial College, the University of Bath and Cancer Research UK. The Commitments under these contracts total £2,379,000 over the next year (30 June 2003: £700,000).

22. DEFERRED TAXATION

At 31 December 2004 and 30 June 2003 the Company had a net deferred tax asset which was not recognised in the accounts. Estimated gross tax losses amounting to £6,300,000 (30 June 2003: £6,000,000) are available for relief against future profits.

23. PENSIONS

During the period the Company contributed to defined contribution pension schemes in respect of certain employees. The assets of the schemes are held separately from those of the Company in independently administered funds. The Company's contributions to the schemes in the period amounted to £25,000 (2003: £53,636). At 31 December 2004 there were no outstanding pension contributions (30 June 2003: £5,450).

24. RELATED PARTY TRANSACTIONS

Transactions with Imperial College of Science, Technology and Medicine

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

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

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

Transactions with the University of Bath

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

STERIX LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2004
(CONTINUED)

24. RELATED PARTY TRANSACTIONS (continued)

Transactions with the University of Bath (continued)

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

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

Transactions with Avlar BioVentures Fund 1 Limited Partnership

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

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

Transactions with other companies in the Ipsen SA group

All voting rights in the Company are controlled by the group headed by Ipsen SA. The Company has taken advantage of the exemption contained in FRS8 not to disclose balances with entities which form part of the Group.

25. ULTIMATE PARENT COMPANY

The Company's ultimate parent company is Ipsen SA, a company incorporated in Luxembourg. Ipsen SA heads the smallest group in which the results of the Company are consolidated. The consolidated financial statements of Ipsen SA are available to the public and may be obtained from Ipsen SA, 25 rue Philippe II, L-2340, Luxembourg.