GeneMedix Plc

Annual report and financial statements

for the sixteen months ended 31 March 2007

Registered number: 03467317

Chief Executive Officer's Statement

I am pleased to present the results for the past financial period, which has been a period of significant corporate activity, culminating in the acquisition of the Company by Reliance Life Sciences in February 2007

Business review

The 16 months to 31 March 2007 has been one of steady development for the Company GeneMedix has continued to exercise prudent cost control measures whilst continuing to focus on its main process development programme for erythropoietin (EPO) EPO represents the largest potential biogeneric market, with global sales of the innovator products approaching US$11 billion per annum We continue to obtain good results from our programme, which maintains our confidence in being able to produce a quality product that is comparable to the innovator product, Eprex® We received a GMP licence for our state of the art manufacturing facility in Tullamore , Ireland during the period and our clinical programme is in progress for EPO We have also made recent advances in our Granulocyte Colony Stimulating Factor (G-CSF) programme, with a view to manufacturing clinical lots with a Contract Manufacturing Organisation in Europe later this year

On the corporate front, the period has been dominated by a restructuring programme in which the Company has been seeking to find the right corporate partner to be able to realise its potential This resulted in the Company entering into a Letter of Intent in July 2006 with Reliance Life Sciences Private Limited (RLS) to acquire a controlling interest in the Company through a subscription of new shares We gained shareholder approval for the transaction in January 2007 and completed in February 2007, at which time the Company cancelled its Official Listing on the London Stock Exchange and moved across to the Alternative Investment Market (AIM) We were also required to de-list from the Singapore Stock Exchange in April 2007, as we no longer met the requirements for a secondary listing in Singapore From July 2006, we were funded by bridging loans from RLS, until we completed the subscription and received £14 6 million of cash in February 2007 in return for a 75% stake in GeneMedix plc We also issued a warrant to bring in up to a further £17 5 million at the subscription price

It is the view of the Directors that the combination of the Company's existing business and RLS's input creates a much stronger company in that it will allow GeneMedix to make significant progress in

- funding its EPO and G-CSF programmes to launch, including the costs of pivotal clinical trials The current estimated global market size of EPO is US$11 billion and G-CSF US$3 billion GeneMedix is looking to participate aggressively in the newly created Biosimilars market in the EU, and then the US, once the regulatory and legal pathways have been set The investment by RLS gives the Company the opportunity to launch these products without necessarily involving a licensing partner,
- opening up the pathway for launching products into the Asian and South American markets at the earliest opportunity,
- restructuring its balance sheet to remove all long-term debt instruments The investment by RLS has allowed GeneMedix to redeem all the current convertible loan notes in accordance with their terms, before their stated maturity, thereby reducing the interest payable by the Company GeneMedix has also redeemed, for cash, a convertible loan note with SkyePharma, and
- allowing senior management to focus completely on operational matters during the next critical period of its development, without having to address funding requirements

RLS's involvement is also intended to allow the Company to

- introduce the RLS portfolio of Biosimilars to market in the EU Where possible, these will be manufactured by GeneMedix,
- utilise RLS's commercial scale manufacturing facilities in India These facilities are complementary to the Company's facilities and would allow the Company access to lower cost manufacturing services than those which are currently outsourced by GeneMedix, and
- use RLS's animal testing centres and analytical testing facilities in India These services are also currently outsourced by the Company

The sale of our Chinese facility, which has also been delayed by regulatory procedures in China, is substantially completed, and we have terminated most of our existing operational agreements, such as the IBCB technology agreement and the Gland distribution and contract manufacturing agreements This gives us maximum flexibility to use RLS's infrastructure to the full We are currently expanding our production facilities in Ireland to increase capacity and are looking to introduce new technologies to make full use of the infrastructure and expertise we have built up over the years

Financial summary and outlook

Operating losses of £7 9 million for the period are in line with our budgets and reflect planned expenditure and cash burn There is a gain of £2 7 million arising on the early cash settlement of a convertible loan note which had a carrying value of £3 9 million but was settled for £1 2 million cash £2 3 million of the gain has been recognised as financial income in the current year with the remaining £0 4 million being recognised directly in reserves We believe that we have been successful in maximising our investment in our programmes within the tight constraints of our financial resources, and we have maintained cash burn on operating activities during the period at approximately £1 5 million per quarter There were no revenues in the period

We financed the Company's development through £3 5 million of bridging loans from RLS, a number of loans from our Founder and Chairman, Dr Kim Tan, the early proceeds of the sale of our Chinese facility, the successful conclusion of a court case to recover expenditure on a historical contract and research and development tax credits The RLS loans were repaid against the subscription proceeds in February 2007

As a result of the RLS transaction, we have converted long-term debt instruments, with a value of £0 7 million, into shares and redeemed another loan with a book value of £3 9 million for cash, as mentioned above Our sale and lease back arrangement in Ireland has been redeemed out of restricted cash, and other short term loans liquidated The bridging loans from RLS were also repaid out of the proceeds of the subscription of £14 6 million

We have sufficient cash on current projections for a minimum of the next 12 months and have a warrant with RLS, exercisable at any stage within the next 5 years, to access another £17 5 million to finance the Company's current programmes and at least one additional product through to launch

Board changes

As a result of the change in ownership of the Company, there have been some significant changes to the structure of the Board Mr Steve Harris, Dr Ting, Mr Kwok Jen Fong and Mr Gordon Mylchreest have left the Board and, Mr K V Subramaniam, Mr Gerhard Klement, Mr Rajendra S Lodha and Mr Atul Dayal have been appointed in their place We wish to thank all retiring Directors for the invaluable help and support that they have provided to the Board during some difficult periods in the Company's development and welcome the new Board members, who have already started making important contributions to the strategy of the Company

Nominated Advisor

We are pleased to announce the appointment of Deloitte & Touche LLP as our Nominated Adviser with effect from 18th July 2007 to replace Ernst & Young LLP, who were no longer able to act as our Nominated Adviser under Rule 1 of the AIM rules

Julian Attfield
Chief Executive Officer

Company profile

GeneMedix is a UK based, globally focused biopharmaceutical company, specialising in the development and manufacture of high quality, cost effective treatments for some of the world's most serious diseases It is now part of the Reliance Life Sciences Group of companies The Company is working towards the development of a portfolio of recombinant therapeutic proteins worldwide Its current focus is in introducing biosimilars into the global markets to compete with the expensive innovator products which have already come off patent or are just about to come off patent in the EU, but it is looking at manufacturing and development opportunities outside biosimilars

As illustrated below, GeneMedix has the intention of being a flexible organisation that incorporates a network of experts in the various fields in which it is involved The first step in the process of getting the product to market is to manufacture the protein GeneMedix is utilising a mammalian cell culture system for manufacture and has access to microbial manufacturing through Contract Manufacturing Organisations (CMOs)

Primary Manufacturing

The manufacturing facility dedicated to mammalian cell culture is located in Tullamore, Ireland The building was leased under an attractive long lease, arranged through the IDA (Ireland), and GeneMedix has fitted it out as a state-of-the-art mammalian cell culture facility, where it will manufacture Epostim® (EPO) for the world markets It has a Good Manufacturing Practice (GMP) license from the Irish Medicines Board, as is required for any new pharmaceutical manufacturing facility, and has a licence to manufacture clinical materials in Europe We are looking for significant expansion to the facility during the coming few years and potentially to increase the number of manufacturing sites in Tullamore

Secondary Manufacturing

GeneMedix does not intend to establish its own facilities for the formulation and filling of its range of products Many of the products are filled into specialised devices and it would not be cost effective for the Company to undergo this step itself The Company has entered into an agreement with another CMO to produce its final formulations for all products The Secondary Manufacturing Agreement with Gland Pharmaceuticals, which was signed in 2002, has been terminated

Sales & Marketing

GeneMedix has not historically sought to market its range of products directly, but that is now under review with RLS as part of the integration process It has discontinued all previous Sales and Distribution Agreements, such as that with Gland Pharma and Hovid, and is currently in discussion with a number of potential commercial partners in various territories

Product Lifecycle

GeneMedix recognises that the initial portfolio of products does not have an infinite lifespan and will seek to develop new presentations of its products GeneMedix will explore the viability of new technologies on an on-going basis

Company profile (continued)

Key milestones in the Company's history

1995		Original research agreement between Dr Kim Tan and IBCB
1997		GeneMedix founded by Dr Kim Tan and Dr Hong-Hoi Ting with IBCB as a major shareholder
1999		First external fundraising, CEO recruited
2000	January	Listed on OFEX
	June	Private fundraising round (£3 3 million)
	November	Dual listing in London and Singapore (raising £20 million)
2001	May	Commencement of Irish manufacturing plant
2004	April	Legal framework put in place by EC for biosimilars to be introduced in the EU
2006	Jan to Mar September	Guidelines published by EMEA for EPO, G-CSF and hGH Letter of intent signed to sell Chinese facility and restructuring programme announced
2006	July	Entered into Letter of Intent with Reliance Life Sciences for acquisition of 75% of GeneMedix via the subscription of new shares
2007	February	Transaction completed with RLS with refinancing of business and listed on AIM

Products

GeneMedix has concentrated during 2006 on the development of its main product EPO, but has also made some progress with other products in its portfolio of therapeutic proteins

Erythropoietin (EPO)
Work continues on the development programme for this product, with process development almost complete and the single pivotal clinical trial underway EPO is used to treat severe anaemia (low red blood cell count), associated with chronic renal failure and in cancer patients undergoing chemotherapy It is estimated that some 90% of kidney dialysis patients and 60% of patients receiving chemotherapy will develop anaemia EPO is also indicated for the treatment of anaemia in HIV patients being treated with zidovudine, and, prior to planned operations, as a way of reducing the need for blood transfusions during surgery It is estimated that the global market for EPO is currently worth approximately US$11 billion, being dominated by Amgen and its licensee, Johnson and Johnson Aranesp (darbepoetin alfa), a second generation EPO produced by Amgen, has progressively increased market share and currently accounts for approximately 30% of the total market value, but there is still a substantial market which is open to generic competition since patents have expired in Europe

Granulocyte Colony Stimulating Factor (G-CSF)

GeneMedix is also developing G-CSF, which is used in the treatment of neutropenia following chemotherapy, and acts in a more selective way than the Company's previously manufactured product, GM-CSF, by stimulating the production of neutrophils only The market for G-CSF is estimated to be worth US$3 billion worldwide, with Amgen being the major player Amgen has developed a sustained release version of the protein filgrastim, which has been approved for use in the US and Europe The Company is developing its G-CSF for the European markets in conjunction with RLS

Portfolio of Intellectual Property

The Company is developing two novel products with RLS

A Novel Monomeric Insulin (PCT/GB2003/003136)

This patent claims novel truncated insulin sequences and a novel precursor molecule for their production The market for human insulin is about US$4 billion worldwide, with monomeric products representing one of the fastest growing sectors

Monomeric Analogues of Human Insulin (WO0118052)

This patent claims human insulin variants that have amino acid substitutions in the 16 and 26 position of the B chain These variants exist as monomers that have a faster therapeutic action than older insulin products

This patent has now progressed to national approvals and two patents have been issued The first was in Australia, patent no 767006, valid for 20 years from 8th September 2000 The second was in the USA, patent no 6800606, valid for 20 years from 8th March 2002

Board of directors and senior executives (continued)

Directors

Non-Executive Chairman Dr Kim Tan BSc, PhD, FRSM

Kim, aged 51, is a founder of the Company, and the founder and Chairman of SpringHill Management Ltd, a private equity fund management company that manages a number of funds, including the Malaysian-based biotech VC fund, SpringHill BioVentures Sdn Bhd He is a director of Active Capital Trust Plc, an LSE listed investment trust company

He is also a director of a number of listed and private biotech and pharmaceutical companies in the UK, USA, India and Malaysia A Fellow of the Royal Society of Medicine, Kim is an adviser on biotechnology to a number of government agencies in Asia and chairs the Research Expert Working Group for the Asia Pacific Economic Community (APEC) Life Science Forum Dr Tan chairs the Remuneration Committee and Nominations Committee,

Chief Executive Officer and Chief Financial Officer Mr Julian Attfield FCA BA

Julian, aged 44, has been CEO for the company since 2005 and CFO since 2000, during which time he took the Company through a dual Initial Public Offering (IPO) on the Official List of the London Stock Exchange and in Singapore and a number of other major corporate activities He was formerly Director of Finance and Administration with Sigma-Genosys Ltd, a leading manufacturer of biomolecules for the life sciences industry Prior to this, he was Group Financial Controller for Automotive Diagnostics UK Ltd, and qualified as an Associate of the Institute of Chartered Accountants whilst at Arthur Andersen

Executive Director Mr K V Subramaniam

KV, aged 49, was appointed Executive Director on 2 July 2007 He is the President and CEO of Reliance Life Sciences He is a Chemical Engineer from Madras University and a Management Graduate from the Indian Institute of Management, Ahmedabad He started his career with Indian Petrochemicals Corporation Limited, where he spent fourteen years in several functions He joined Reliance Industries Limited in 1994 to lead the corporate business development function, where he was involved in several new initiatives of the organisation in petrochemicals, power, infrastructure, agriculture and insurance KV has been instrumental in conceiving and developing Reliance Life Sciences, which has several programs covering stem cells and tissue engineering, molecular diagnostics and genetics, therapeutic proteins, biopolymers, biofuels, biochemicals, plant biotechnology, clinical research and contract research He serves on the Board of the Institute of Chartered Financial Analysts of India (ICFAI), Hyderabad, and is on the Board of Institute of Chartered Financial Analysts of India (ICFAI) University, Mizoram

Executive Director Mr Gerhard Klement

Gerhard, aged 54, was appointed Executive Director on 2 July 2007 He is President and CEO for Reliance Biopharmaceuticals He has been with Reliance since July 2006 with a remit to establish a global Biotechnology company Prior to joining Reliance, he served as VP Manufacturing and Technical Operations for Altus Pharmaceuticals, leading the manufacturing, process development, formulation and analytical operations He served as Chief Technology Officer for the worldwide Biologics and Chemicals Group at Lonza, where he was responsible for new technologies and business development From 2003 to 2005 Gerhard was the Head of Operations, USA and Chief Operating Officer Biopharmaceuticals, worldwide at Lonza Biologics Previously, he held various positions in manufacturing and engineering at Serono and Centocor He serves on the Scientific Advisory Board of the New Hampshire Chamber of Commerce and of Laureate Pharmaceuticals

Non-Executive Director Mr Rajendra Lodha

Rajendra, aged 64, was appointed Non-Executive Director on 2 July 2007 He has served for 40 years (1964-2004) as Senior Partner of M/s Lodha & Co , Chartered Accountants, having offices at New Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad and Jaipur He qualified as a Chartered Accountant in 1963 He was the President of Federation of Indian Chambers of Commerce & Industry (FICCI), the Apex Chamber of India in its Platinum Jubilee Year 2002

He is Chairman of the M P Birla Group which includes Birla Corporation Limited, Universal Cables Ltd , Birla Ericsson Optical Ltd , and Hindustan Gum & Chemicals Ltd The Group also runs several Medical and Educational Institutions including Bombay Hospital in Mumbai and Indore, Birla Vikas Hospital, Satna and Siddhi, M P Birla Planetarium, Belle Vue Clinic, Priyamvada Birla Aravind Eye Hospital and South Point Schools He is currently also serving on the Boards of Interalia, National Securities Depository Ltd (NSDL), Indian Petrochemicals Corporation Ltd , SBI Life Insurance Co Ltd and Henkel India Limited Rajendra is Trustee of Bharatiya Vidya Bhavan in U K , Life Trustee of Bombay Hospital, which is the largest in Mumbai, and on the Governing Council of Bhagwan Mahavir Memorial Samiti, New Delhi He will chair the audit committee, replacing Mr Harris

Non- Executive Director Mr Atul Dayal

Atul, aged 58, was appointed Non-Executive Director He is a Solicitor and has been in practice since 1974 Until March 1998, he was a partner with M/s Kanga & Co , a leading firm of Advocates & Solicitors in Mumbai and from April 1998, has been practicing as the sole proprietor of M/s A S Dayal & Associates For about 20 years he has been handling legal matters of the Reliance Group of companies, as their main legal advisor

Marketing Director (Asia) Dr Hong-Hoi Ting BSc, DPhil

A part time Executive to GeneMedix, Dr Ting is a co-founder of the Company and has considerable experience in setting up several joint ventures in China Following an academic career at the Universities of Oxford and Bath, he was employed by Amersham International plc as Regional Manager in charge of its Life Science business in the Far East and South East Asia, and also as Country Manager in China Subsequently Dr Ting, aged 50, has acted as a consultant to a number of companies in Asia, including Amersham International plc, Westinghouse Electric Corporation and Johnson and Johnson Dr Ting resigned from the Board on 2 July 2007

Board of directors and senior executives (continued)

Non-Executive Director Mr Gordon Mylchreest MCIM

Gordon, aged 62, was Group Marketing Director of Consolidated Group prior to its acquisition by GE Capital, and responsible for developing Consolidated Group's insurance business in Europe Since then he has acted as a consultant to a number of insurance companies advising on acquisitions and start-ups He has also been a consultant to, and General Manager of, CIGNA Direct Marketing and Creditor Insurance Services Gordon resigned from the Board on 2 July 2007

Non-Executive Director Mr Steve Harris

Steve, aged 64, has considerable experience in the pharmaceutical industry working with both multinational companies such as ICI Pharmaceuticals, Merck Sharp and Dohme, Eli Lilly and Reckitt & Colman, and start-up companies such as Gensia and Medeva Steve is currently a Non-Executive Chairman of Proteome Sciences plc and Sinclair Pharma plc, and Non- Executive Director of SkyePharma plc, Advanced Medical Solutions plc and Premier Research plc, and was elected a Fellow of the Pharmaceutical Society of Great Britain in 2000 Steve also resigned from the Board on 2 July 2007

Non-Executive Director Mr Fong Kwok Jen

Kwok Jen, aged 56, is Director of a legal practice, Fong Law Corporation He is also Chairman of the Disciplinary Committee of Singapore Exchange Securities Trading Limited Prior to that, he was a Council Member of the Securities Industry Council from 1992 to 2003 and a Council Member of the Law Society of Singapore from 1990 to 1992 Mr Fong spent eight years as Deputy Senior State Counsel and then Senior State Counsel at the Attorney-General's Chambers from 1982 to 1989 Before that, he worked as Deputy Public Prosecutor at the Attorney-General's Chambers from 1977 to 1982 Kwok Jen resigned from the Board on 13 March 2006

Senior Executives

VP Operations Mr Richard Barker BSc, MSc, MIBiol

Richard, aged 54, has a great deal of experience in several senior positions in Development and Manufacturing with major international biotechnology and pharmaceutical companies, and is a former member of the Manufacturing Advisory Committee of the UK BioIndustry Association Within GeneMedix, Richard directs the development of products from late stage research, through development, production of material for toxicology studies and clinical trials, to completion of full-scale validation batches in the primary manufacturing facilities Richard played a significant role in the development of the Tullamore facility and will be instrumental in the construction of the new facility

General Manager Ireland Mr Conor O'Dea MSc

Conor, aged 42, has been General Manger in Ireland since 2001 and was appointed to oversee the development of the Tullamore biomanufacturing facility and to run validation programmes to GMP Prior to joining GeneMedix, he spent five years with Q-One Biotech Ltd, where he held the position of Director of Biomanufacturing, this operation is now the European manufacturing HQ for Invitrogen Prior to this, he spent three years with Archport Ltd in Dublin and five years with Immunogen Inc in the U S , where he held various managerial and technical positions relating to the development and manufacture of monoclonal antibodies and protein therapeutics

Directors' report

The directors present their report on the affairs of the group and the audited financial statements for the 16 months ended 31 March 2007

Principal activities

The principal activities of the Company and Group are the development, manufacture and distribution of comparable biotechnology pharmaceuticals, which are a generic version of innovative therapeutic proteins

Business review

A review of the business and future developments is set out in the Chief Executive Officer's statement and company profile on pages 1 to 6

Principal risks and uncertainties

The Group's business is influenced by a range of factors, some of which may be beyond the control of the Group and its Board The risk factors set out below are mostly shared by other small biotechnology companies

Development of biopharmaceutical products

The Group is involved in the discovery and development of biopharmaceutical products which are at various stages of development and the Group has not yet completed the full clinical development of any of its products Significant further investment will be required on an ongoing basis to undertake research and development to bring its other biosimilar products through to market Laboratory and clinical testing and regulatory approvals will be required prior to the sale of any of the Group's drug candidates There is a potential risk of adverse or inconclusive results from pre-clinical testing or clinical trials which may substantially delay, or halt entirely, any further development of the Group's drug candidates

Product testing and regulatory approval

The clinical evaluation, manufacture and marketing of the Group's drug candidates and its ongoing research and development activities are subject to regulation by government and other regulatory agencies in countries where the Group or any of its potential licensees or collaborators intend to test or market products Of particular importance is the requirement in most countries to obtain and maintain regulatory approval for a product from the relevant regulatory authority to enable it to be marketed in that country Such approval requires the clinical evaluation of data relating to the quality, safety and efficacy of a product for its proposed use Many countries, including all members of the EU and the US, have very high standards of technical appraisal and, accordingly, the approval process can be lengthy

Though the innovator products for the main biosimilars are well established products, there can be no assurance that any of the Group's drug candidates will successfully complete the clinical trial process or that regulatory approvals to manufacture and market the Group's drug candidates will ultimately be obtained

Commercial collaborations

The Group is intending to market its own products, but a significant part of the Group's future revenues may be derived from licensing or collaboration agreements with other biopharmaceutical companies The Group has currently no access to any marketing, sale or distribution functions in its main markets

Competition and competing products

The Group's competitors include, amongst others, major biopharmaceutical and biotechnology companies with substantially greater resources than those of the Group There is no assurance that the Group's competitors will not succeed in developing technologies and products that are more effective or economical than any of those being developed by the Group and which could adversely affect the market shares that the Company can gain

Key performance indicators (KPIs)

Development costs rose by 6% based on a proportionate comparison of development costs between the year ended 30 November 2005 and 16 months ended 31 March 2007, which reflected the continuing increase in the group's research and development programmes

The Directors believe that introducing new products to the Company's portfolio, expanding manufacturing, taking a maximum number of products through pivotal phase III clinical trials in India and Europe and achieving efficiencies in operating costs to maximise the commercial opportunities in global biosimilars are the KPIs for the Company at its current stage More specific KPIs will be published when the Company is further down the line in its integration with RLS

Results and dividends

The loss for the period, before minority interests, was £5,582,723 (2005 restated £5,253,411)

The Directors elected not to pay a dividend for the period (2005 £nil)

Research and development

GeneMedix has historically conducted research and development through its collaboration with the Institute of Biochemistry and Cell Biology (IBCB) but now is part of the RLS Group which has extensive research and development facilities in India During the period, the Group incurred development costs of £3,418,708 (2005 restated £2,428,035) predominantly on the development of its EPO biosimilar, but lately on G-CSF The Directors regard investment in process and patent development as a prerequisite for increasing the value of the intellectual property portfolio and to achieve the earliest possible implementation of the business plan

Charitable donations

During the period, the Company made no charitable donations (2005 £nil)

Political support

GeneMedix did not support, or make any donations to, political parties in the period (2005 £nil)

Financial instruments

The board reviews and agrees overall treasury policies, delegating appropriate authority to the Chief Executive Officer Financial instruments are used to manage the financial risks facing the Group – speculative transactions are not permitted Treasury operations are reported at each board meeting and are subject to monthly internal reporting

The Group's financial instruments comprise primarily cash and liquid resources, and finance lease assets In addition to the primary financial instruments mentioned above, the Group also has other financial instruments, such as trade creditors, accruals and prepayments that arise directly from the Group's operations The main purpose of these financial instruments is to provide working capital for the Group's operations

The main risks arising from the Group's activities, and involving the use of financial instruments, are foreign currency risk, interest rate risk and liquidity risk Note 29 to the financial statements sets out the risks in respect of financial instruments, along with numerical disclosures for each category of financial instrument Details of the Group's objectives and policies, both during the period and since the period end, are set out below

Foreign currency risk

The Group has a branch that operates and trades in Ireland, with expenses and financing denominated principally in Euros The Group also had a subsidiary that operated and traded in China, with revenue, expenses and financing denominated principally in Renminbi Through these overseas operations, the Group is subject to foreign exchange risk, including the risk of fluctuations in the Group's net investment in, and reported losses from, the foreign branch and subsidiary when translated into sterling In addition, the Group enters into contracts in a variety of foreign currencies

The Group had overall surplus cash funds throughout the period but had to determine in which currency to hold cash available for working capital and surplus funds This was done with reference to anticipated future expenditure patterns and relative returns on funds held in different currencies The Group's current policy is to hold surplus funds in sterling over the long term, which currently achieves a higher interest rate return whilst mitigating the risk of fluctuations in the Group's net assets, when reported in sterling Currently, the Group is looking into the utilisation of forward contracts in order to reduce uncertainty over the sterling value of anticipated Euro payments, thereby reducing uncertainty over the level of the Group's losses when reported in sterling

Where Group companies have monetary assets and liabilities denominated in currencies other than their functional currency, these balances are translated into that subsidiary's and branch's functional currency With the exception of gains and losses on those inter-company balances that are considered to be as permanent as equity and recorded in reserves, foreign currency exchange gains and losses arising are recorded immediately in the profit and loss accounts These amounts include sterling-denominated cash balances, held in China and Ireland and US dollar and euro-denominated balances held by the Company In addition, the Group has other current assets and liabilities denominated in foreign currencies, which the Board does not consider to be significant

Liquidity risk

The Board monitors the level of cash and liquid resources on a regular basis, and management monitors the level on a daily basis, to ensure that the Group has sufficient liquid funds to enable it to meet its commitments as they fall due The Board also monitors the maturity of liabilities to ensure there is an appropriate split of long and short term borrowings This is achieved through the production and review of cash forecasts, including sensitivity analyses 97% of the Group's cash and liquid resources are invested in bank deposits

Interest rate risk

The Group finances its operations predominantly through cash and liquid resources generated through operating activities, from the issuance of equity shares and convertible loan notes, through finance leases and through bridging loans It is the Group's policy to invest surplus cash on deposit or in money market funds managed by professional money managers The performance of the investments is reviewed by management on a regular basis to ensure that competitive rates of return are being achieved, subject to the Board's requirement relating to the accessibility of funds and standing of financial institutions used The Board regularly reviews the financing facilities available to the Group to ensure competitive rates of interest are being obtained During the period, the Group invested in a cash deposit which accrues interest dependent on the sterling LIBOR rate This deposit of £9 million was outstanding at the period end and was valued at £9 million

Post balance sheet events

Details of board changes are contained in the Chief Executive Officer's statement and Board of directors and senior executives

Overseas branches

The group operates a manufacturing facility in the Republic of Ireland, held as a branch of the Company

Directors

Biographical details of current Directors are given on pages 7 to 10 The Directors who served during the period were as follows

Executive	Non-Executive
Julian Attfield	Dr Kim Tan
Dr Hong-Hoi Ting (resigned 2 July 2007)	Gordon Mylchreest (resigned 2 July 2007)
	Mr Fong Kwok Jen (resigned 13 March 2006)
	Steve Harris (resigned 2 July 2007)

As a result of the acquisition by RLS, the following appointments have been made with effect from 2 July 2007

Mr K V Subramaniam from Reliance Life Sciences and Mr G Klement from Reliance Biopharmaceuticals have joined the Board as Executive Directors and Mr R S Lodha and Mr A Dayal have been appointed as Non-Executive Directors

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment Trade creditors of the Group at 31 March 2007 were equivalent to 55 days of purchases (2005 40 days) Trade creditors of the Company at 31 March 2007 were equivalent to 54 days of purchases (2005 40 days)

Substantial shareholdings

On 31 July 2007, the Company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the ordinary share capital of the Company

Name of holder	Number	Percentage held
Dr Kim Tan	14,613,692	9 38%
Reliance Holdings BV	116,825,457	75 02%

These shareholdings reflect a share consolidation of one new ordinary share for every 10 old shares, which took place on 12 February 2007

Save for the above, the Company has not been notified, as at 31 July 2007, of any material interest of 3 per cent or more or any non-material interest exceeding 10 per cent of the issued share capital of the Company

Directors' interests

The directors who held office at 31 March 2007 had the following interests in the shares of the Company

Name of director	Beneficial	
	31 March 2007	30 November 2005
	Number	Number
Dr Kim Tan	**14,613,692**	12,878,616
Dr H H Ting	**1,732,682**	1,732,682
Mr G Mylchreest	**942,741**	942,741

Directors' report (continued)

All numbers of shares held, including prior period figures, take into account a share consolidation of 1 new ordinary share for every 10 old shares which took place on 12 February 2007

The share options of the directors at the period-end under the unapproved share option schemes are set out below

	Nov 2005 Number	Granted/ (lapsed) Number	Exercised Number	**Mar 2007 Number**	Latest exercise date	Exercise price £
J Attfield	37,500	-	-	**37,500**	16/10/2010	9 000
J Attfield	5,000	-	-	**5,000**	31/12/2012	4 650
J Attfield	50,000	-	-	**50,000**	18/12/2013	0 900
J Attfield	50,000	-	-	**50,000**	23/11/2014	1 125
J Attfield	150,000	-	-	**150,000**	13/10/2015 and 28/11/2015	0 425
Total	292,500	-	-	**292,500**		

Currently, all existing share options do not have performance conditions attached The mid-market price of the shares at 31 March 2007 was 17 5p and during the period the price varied between 15p and 55p

Impact of International Financial Reporting Standards ("IFRS")

During the period, the Directors continued to consider the impact that implementing IFRS would have on the reporting functions and financial statements The first results to be announced in accordance with IFRS will be the Group's first interim results for the period to 30 September 2007

Statement on disclosure of information to the auditors

As required under the Companies Act 1985, section 234 ZA(2), each director confirms that, to their knowledge, there is no relevant audit information of which the Company's auditors are unaware

The directors have each taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and group and of the profit or loss of the company and group for that period In preparing those 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the update, maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

By order of the Board

Julian Attfield
Chief Executive Officer & Company Secretary
31 July 2007

Corporate Governance

The rules of the AIM do not compel the Company to comply with the Combined Code (the Code), a set of recommended corporate governance principles for UK public companies issued by the Financial Reporting Council However, the Directors support high standards of Corporate Governance and have established a set of corporate governance principles which they regard as appropriate for the stage of development of the Group For example, the Company has adopted a share dealing code for Directors and senior employees on substantially the same terms as AIM's model code on directors' dealings in company shares

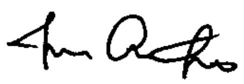
The Board has also established an Audit Committee, Remuneration Committee and Nominations Committee with formally delegated duties and responsibilities

The Audit Committee consists of all the independent Non-Executive Directors and is chaired by Rajendra Lodha The Audit Committee normally meets twice a year and has responsibility for, among other things, planning and reviewing the annual report and accounts and interim statements and involving, where appropriate, the auditors The Committee also approves auditors' fees and reviews auditor independence, as well as focussing on compliance with legal requirements and accounting standards It is also responsible for ensuring that an effective system of internal controls is maintained The ultimate responsibility for reviewing and approving the annual accounts and interim statement remains with the Board

The Remuneration Committee is made up of all the independent Non-Executive Directors and is chaired by Dr Kim Tan The Remuneration Committee, which meets as required, but at least once a year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the Executive Directors It also operates the Share Option Plan and sets performance conditions which must be satisfied before options granted under the Share Option Plan can be exercised

The Nominations Committee comprises the Chairman and all of the independent Non-Executive Directors and is chaired by Dr Kim Tan The Nominations Committee has responsibility for reviewing the size and composition of the Board and the appointment of replacement and or additional directors and making appropriate recommendations to the Board

By order of the Board



Julian Attfield
Chief Executive Officer

Directors and Advisors

Directors

Dr Kim S Tan	(Non-Executive Chairman)
Mr Julian Attfield	(Acting Chief Executive Officer and Chief Financial Officer)
Mr K V Subramaniam	(Executive Director, appointed on 2 July 2007)
Mr Gerhard Klement	(Executive Director, appointed on 2 July 2007)
Mr Rajendra Lodha	(Non-Executive Director, appointed on 2 July 2007)
Mr Atul Dayal	(Non-Executive Director, appointed on 2 July 2007)
Dr Hong-Hoi Ting	(Director Asia, resigned 2 July 2007)
Mr Gordon Mylchreest	(Non-Executive Director, resigned 2 July 2007)
Mr Fong Kwok Jen	(Non-Executive Director, resigned 13 March 2006)
Mr Steve Harris	(Non-Executive Director, resigned 2 July 2007)

Secretary and registered office	Julian Attfield Rosalind Franklin House Fordham Road Newmarket CB8 7XN
Registered number	03467317
Nominated adviser	Deloitte & Touche LLP Athene House, Shoe Lane, London EC4A 3BQ
Broker	The Share Centre Oxford House, Oxford Road, Aylesbury Bucks HP21 8SZ
Auditors	PricewaterhouseCoopers LLP Abacus House Castle Park Cambridge CB3 0AN

Independent auditors' report to the members of GeneMedix Plc

We have audited the group and parent company financial statements (the "financial statements") of GeneMedix Plc for the 16 months ended 31 March 2007 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements The information given in the Directors' Report includes that specific information presented in the Chief Executive Officer's Statement and Company profile that is cross referenced from the Business review section of the Directors' Report

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements This other information comprises the Chief Executive Officer's Statement, the Company profile, the Board of directors and senior executives, the Directors' Report, the Corporate governance statement and the Directors and advisors We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Independent auditors' report (continued)

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent Company's affairs as at 31 March 2007 and of the group's loss and cash flows for the 16 months 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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cambridge

31 July 2007

Consolidated profit and loss account

For the 16 months ended 31 March 2007

	Notes	16 months ended 31 Mar 2007 £	Year ended 30 Nov 2005 (Restated) £
Administrative expenses		**(4,491,276)**	(2,904,406)
Exceptional administrative expenses	3	**-**	(300,000)
Total administrative expenses		**(4,491,276)**	(3,204,406)
Research and development costs		**(3,418,708)**	(2,428,035)
Total operating expenses		**(7,909,984)**	(5,632,441)
Operating loss			
Continuing operations		**(7,604,234)**	(4,876,445)
Discontinued operations		**(305,750)**	(755,996)
	2	**(7,909,984)**	(5,632,441)
Interest receivable	4	**87,047**	33,116
Interest payable	4	**(387,627)**	(249,772)
Other financial income	4	**2,282,766**	253,151
Loss on ordinary activities before taxation	5	**(5,927,798)**	(5,595,946)
Tax credit on loss on ordinary activities	6	**345,075**	342,535
Loss on ordinary activities after taxation		**(5,582,723)**	(5,253,411)
Equity minority interests	30	**77,369**	115,942
Loss for the financial period/year	24	**(5,505,354)**	(5,137,469)
Loss per share – basic and diluted	9	**(11.5p)**	(14 7p)
Loss per share from continuing operations – basic and diluted	9	**(11.0p)**	(12 8p)
Loss per share from discontinued operations – basic and diluted	9	**(0.5p)**	(1 9p)

Consolidated statement of total recognised gains and losses

For the 16 months ended 31 March 2007

	Notes	16 months ended 31 Mar 2007 £	Year ended 30 Nov 2005 (Restated) £
Loss for the financial period/year		**(5,505,354)**	(5,001,463)
Prior period adjustment	21	**-**	(136,006)
Total losses recognised since last annual report	24	**(5,505,354)**	(5,137,469)
Exchange adjustments offset in reserves	23	**16,811**	72,595
Gain on early extinguishment of equity element of debenture loan notes	23	**424,526**	-
Total losses recognised for the period/year		**(5,064,017)**	(5,064,874)

Consolidated balance sheet

As at 31 March 2007

	Notes	31 Mar 2007 £	30 Nov 2005 £
Fixed assets			
Intangible fixed assets	10	**71,336**	842,784
Tangible fixed assets	11	**3,229,279**	5,735,660
		3,300,615	6,578,444
Current assets			
Stock	14	**129,736**	20,863
Debtors	15	**1,668,807**	1,068,750
Restricted cash	26	**116,396**	1,011,368
Short-term investments	29	**9,024,316**	9,905
Cash at bank and in hand		**140,655**	399,837
		11,079,910	2,510,723
Creditors amounts falling due within one year	16	**(1,786,989)**	(2,237,544)
Net current assets		**9,292,921**	273,179
Total assets less current liabilities		**12,593,536**	6,851,623
Creditors. amounts falling due after more than one year	17	**-**	(269,667)
Debentures convertible loan notes	17	**(949,924)**	(5,485,812)
Provisions for liabilities and charges	19	**-**	(524)
Net assets		**11,643,612**	1,095,620
Share capital and reserves			
Called-up share capital	20	**15,571,787**	3,715,734
Share premium account	23	**27,602,689**	27,119,196
Capital reserve	23	**305,025**	-
Warrant reserve	23	**2,920,636**	-
Profit and loss account	23	**(34,756,525)**	(29,809,815)
Total shareholders' funds	24	**11,643,612**	1,025,115
Minority interests	30	**-**	70,505
Capital employed		**11,643,612**	1,095,620

The financial statements on pages 22 to 60 were approved by the Board of Directors on 31 July 2007 and were signed on its behalf by

Julian Attfield

Director

Company balance sheet

As at 31 March 2007

	Notes	31 Mar 2007 £	30 Nov 2005 £
Fixed assets			
Intangible fixed assets	10	**71,336**	79,313
Tangible fixed assets	11	**3,229,279**	4,388,814
Investments	12	**-**	1,704,675
		3,300,615	6,172,802
Current assets			
Stock	14	**129,736**	-
Debtors	15	**1,668,807**	1,546,093
Restricted cash	26	**116,396**	1,011,368
Short-term investments	29	**9,024,316**	9,905
Cash at bank and in hand		**140,655**	350,024
		11,079,910	2,917,390
Creditors: amounts falling due within one year	16	**(1,786,989)**	(1,579,385)
Net current assets		**9,292,921**	1,338,005
Total assets less current liabilities		**12,593,536**	7,510,807
Creditors: amount falling due more than one year	17	**-**	(269,667)
Debentures convertible loan notes	17	**(949,924)**	(5,485,812)
Provisions for liabilities and charges	19	**-**	(524)
Net assets		**11,643,612**	1,754,804
Share capital and reserves			
Called-up share capital	20	**15,571,787**	3,715,734
Share premium account	23	**27,602,689**	27,119,196
Capital reserve	23	**305,025**	-
Warrant reserve	23	**2,920,636**	-
Profit and loss account	23	**(34,756,525)**	(29,080,126)
Total shareholders' funds		**11,643,612**	1,754,804

The financial statements on pages 22 to 60 were approved by the Board of Directors on 31 July 2007 and were signed on its behalf by

Julian Attfield
Director

Consolidated cash flow statement

For the 16 months ended 31 March 2007

	Notes	16 months ended 31 Mar 2007 £	Year ended 30 Nov 2005 £
Net cash outflow from operating activities	25	**(5,529,980)**	(4,335,518)
Returns on investments and servicing of finance	26	**(56,421)**	(31,879)
Taxation	26	**342,535**	368,338
Capital expenditure	26	**(58,170)**	(162,561)
Acquisitions and disposals	26	**670,984**	-
Cash outflow before management of liquid resources and financing		**(4,631,052)**	(4,161,620)
Management of liquid resources	26	**(8,125,544)**	687,766
Financing	26	**12,503,359**	3,679,685
(Decrease)/increase in cash	27	**(253,237)**	205,831

Notes to the financial statements (continued)

1 Accounting policies

Accounting policies for the 16 months ended 31 March 2007

a) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the UK, under the historical cost convention A summary of the more important accounting policies, which have been consistently applied (except where stated) and reviewed by the board of directors in accordance with Financial Reporting Standard ("FRS") 18, "Accounting policies", is set out below

b) Change in accounting policy

In preparing these financial statements the Group has early adopted FRS 20 "Share-based payment" FRS 20 "Share based payment" requires the recognition of share-based payments at fair value at the date of grant The change in accounting policy has resulted in a prior year adjustment of £136,006, as some previous outstanding share options issued after 7 November 2002 had not vested as of 30 November 2005 The Group recognised total expenses of £117,307 related to the equity-settled share-based payment transactions for the 16 months ended 31 March 2007 The change has no impact on net assets as the expense is credited back directly to the profit and loss reserve

The adoption of FRS25 "Financial Instruments Disclosure and Presentation" has also resulted in a change in accounting policy in respect of shares classified wholly as equity In accordance with FRS 25, convertible unsecured loan notes are regarded as compound instruments, consisting of a liability component and an equity component At the date of issue, the fair values of the liability components were estimated to total £949,924 The difference between the proceeds on issue of the instruments and the fair value assigned to the liability components, representing the embedded option to convert, is included in equity and totals £305,025 as at 31 March 2007 Issue costs are apportioned between the liability and equity components of the convertible unsecured loan note based on their relative carrying amount at the date of issue, where applicable

The Group has applied the exemption granted by FRS 25, whereby prior year comparatives have not been restated

c) Going concern

The financial statements are prepared on the going concern basis Should the Company not be a going concern, the balance sheet would need to be reviewed with assets restated to net realisable values and all long term assets and liabilities being reclassified as short-term and provisions made for further liabilities that might arise

The Board believes that the Company has sufficient working capital to be cash flow positive on its current projects for at least the next twelve months The Board will continue to monitor the progress of the acquisition, development and launch of new products and the financial position in order to ensure that the Company continues to have sufficient funding to continue in business For this reason, the Board continues to adopt the going concern basis in preparing the financial statements

The Directors estimate that cash held by the Group at the date of approval of the financial statements is sufficient to continue funding the trading activities of the Group for a further twelve months from the date of approval of the financial statements

Notes to the financial statements (continued)

d) Basis of consolidation

The group financial statements consolidate the financial statements of GeneMedix plc and its subsidiary undertakings drawn up to 31 March 2007 The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed Acquisitions are accounted for under the acquisition method Intra-group transactions and profits are eliminated on consolidation

e) Intangible fixed assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the net assets acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 15 years Provision is made for any impairment

f) Intangible fixed assets - licences

Licences to cell lines are included at cost and amortised on a straight-line basis over their useful economic lives from the date of commencement of commercial production of the molecules Licences to other early stage technology are expensed immediately as part of research and development costs

g) Intangible Fixed Assets – know-how

The cost of purchased know-how is capitalised as an asset on the balance sheet and amortised on a straight-line basis over a period of 15 years, which is its estimated useful economic life

h) Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation and any provision for impairment 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

Fittings and fixtures	10%
Land and buildings	8%
Plant and machinery	10% - 20%
Office equipment	10% - 20%

i) Investments

Fixed asset investments are shown at cost less provision for impairment

j) Stocks

Stocks comprise raw materials and consumables used in the normal course of business and are stated at the lower of cost and net realisable value Provision is made for obsolete, slow moving or defective items where appropriate

Notes to the financial statements (continued)

k) Taxation

Current tax, comprising UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

l) Deferred taxation

Provision is made for deferred taxation, using full provision accounting when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS 19, "Deferred taxation" Deferred tax assets and liabilities are not discounted

Deferred tax assets are recognised to the extent that it is more likely than not they will be recovered

m) Provisions

The Company offers incentives to all employees in the form of share options under the Executive share option plan In accordance with Urgent Issues Task Force Abstract 25 ("National Insurance Contributions on Share Options"), a provision is established based on the current employer's National Insurance rate applied to the difference between the market value of the shares under option and the option exercise price at the balance sheet date The provision is charged to the profit and loss account over the period in which the share options vest

n) Cash and short-term investments

Bank deposits secured against finance leases, which can only be drawn down in line with the repayments of the finance leases, are classified as restricted cash Other bank deposits which are not repayable on demand without penalty are treated as short-term investments in accordance with FRS 1 "Cash flow statements" Movements in such investments are included under "Management of liquid resources" in the Group's cash flow statement

o) Share-based payments

In accordance with FRS 20 the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares or options that will eventually vest In the case of options granted, fair value is measured by a Black-Scholes pricing model Further details are set out in Note 21

Notes to the financial statements (continued)

p) Pensions

A stakeholder pension has been made available to employees, but the individuals are entitled to elect for the Company to make contributions into individual private pension schemes The amount charged to the profit and loss account in respect of pension costs is the contributions payable during the period

The Group contributes a sum equal to a proportion of basic salary (currently a maximum 7%) to a personal defined contribution pension scheme on behalf of each director (and participating employees) each month

q) Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate on the balance of capital repayments outstanding Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis

r) Sale and leaseback arrangements

The Group has entered into certain sale and leaseback transactions whereby the risks and rewards of ownership of the assets concerned have not been substantially transferred to the lessor The assets subject to these sale and leaseback transactions have been retained on the Group's balance sheet and the proceeds of sales are included within creditors as liabilities under sale and leaseback arrangements The rent payable by the Group throughout the term of the lease is apportioned first as a partial repayment of the related liabilities and, secondly, as interest charged to profits Any increase in rent under the terms of the lease will be charged to the profit and loss account

The fixed assets subject to the sale and leaseback arrangements are depreciated on a straight-line basis over the period of the initial lease term

s) Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount

t) Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs In subsequent periods, the carrying amount is increased by the finance cost and reduced by payments made in the period Convertible debt is regarded as a compound instrument and, in accordance with FRS 25, is presented as part liability and part equity in the balance sheet as at 31 March 2007

u) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate

Notes to the financial statements (continued)

The results of overseas operations are translated at the monthly average exchange rates during the period, and their balance sheets are translated at the rates ruling at the balance sheet date Exchange differences arising on translation of the opening net assets and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are reported in the statement of total recognised gains and losses All other exchange differences are included in the profit and loss account

v) Financial instruments

The Company's financial instruments comprise cash, liquid resources, trade debtors, trade creditors and convertible debt The main purpose of these financial instruments is to raise finance for the Company's operations

The Company does not enter into derivative transactions for speculative purposes It has been, throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and foreign currency risk The Board reviews and agrees policies for managing each of these risks and they are summarised in Note 29 These policies have remained unchanged during the period

w) Research and development costs

Expenditure on pure and applied research is charged to the profit and loss account in the period/year in which it is incurred Internally generated expenditure arising from development (or from the development phase of an internal project) may be capitalised if it satisfies all of five specified criteria in Statement of Standard Accounting Practice (SSAP) 13 "Accounting for research and development" It is Management's opinion that the availability of adequate financial resources to complete the development was not met during the period Therefore, all development costs are expensed as incurred during the period

Notes to the financial statements (continued)

2 Segmental information

The Group only has one class of business and there was no turnover in either the period to 31 March 2007 or the year to 30 November 2005

Segmental geographic information is set out below

	UK & Ireland		China		Group	
	16 months ended 31 Mar 2007	Year ended 30 Nov 2005 (Restated)	**16 months ended 31 Mar 2007**	Year ended 30 Nov 2005	**16 months ended 31 Mar 2007**	Year ended 30 Nov 2005 (Restated)
	£	£	**£**	£	**£**	£
Segment operating loss	**(7,604,234)**	(4,876,455)	**(305,750)**	(755,996)	**(7,909,984)**	(5,632,441)
Segment net assets/ (liabilities)	**11,643,612**	1,754,804	**-**	(729,689)	**11,643,612**	1,025,115
Minority interests	**-**	-	**-**	70,505	**-**	70,505
	11,643,612	1,754,804	**-**	(659,184)	**11,643,612**	1,095,620

Segmental operating expenses information is set out below

	16 months ended 31 Mar 2007			Year ended 30 Nov 2005		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations (Restated)	Discontinued operations	Total (Restated)
	£	**£**	**£**	£	£	£
Administrative expenses	**(4,185,526)**	**(305,750)**	**(4,491,276)**	(2,448,410)	(455,996)	(2,904,406)
Exceptional administrative expenses	**-**	**-**	**-**	-	(300,000)	(300,000)
Research and development costs	**(3,418,708)**	**-**	**(3,418,708)**	(2,428,035)	-	(2,428,035)
	(7,604,234)	**(305,750)**	**(7,909,984)**	(4,876,445)	(755,996)	(5,632,441)

3 Exceptional administrative expenses

The exceptional administrative expense was £nil in the 16 months period ended 31 March 2007 In the year ended 30 November 2005, these were £300,000, which were recorded as impairments to goodwill, based on expected proceeds from sale of the Company's Chinese subsidiary, Shanghai GeneMedix Biotechnology Company

Notes to the financial statements (continued)

4 Interest receivable and payable

	16 months ended 31 Mar 2007 £	Year ended 30 Nov 2005 £
Interest receivable		
Bank interest receivable	**87,047**	33,116
Interest payable		
Bank interest payable	**(4,772)**	(13,000)
Other loan interest payable	**(133,661)**	(22,773)
Convertible debenture interest payable	**(224,079)**	(164,364)
Finance lease charge payable	**(25,115)**	(49,635)
	(387,627)	(249,772)
Net interest payable and similar items	**(300,580)**	(216,656)
Other financial income		
Debenture loan note interest waived (Note 27)	**-**	253,151
Debenture loan note revaluation and redemption (Note 17)	**2,282,766**	-
	2,282,766	253,151

5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	16 months ended 31 Mar 2007 £	Year ended 30 Nov 2005 (Restated) £
Auditors' remuneration		
Audit services		
- fees payable to company auditors for the audit of parent company and consolidated financial statements	**34,525**	29,650
- all other services pursuant to legislation	**1,750**	5,250
Research and development costs	**3,418,708**	2,428,035
Depreciation of tangible fixed assets		
- owned	**721,797**	566,317
- held under finance leases	**382,964**	289,663
Amortisation of intangible fixed assets	**114,324**	112,330
Impairment of goodwill	**-**	300,000
Share-based payments	**117,307**	136,006
Property rentals under operating leases	**225,965**	144,691
Other operating lease rentals	**9,747**	7,473

Fees paid to major firms of accountants other than the Group's auditors for non-audit services amounted to £20,000 (2005 £16,000) which were incurred in the preparation of the claim for Research and Development tax credits for the Group, and in bringing to a satisfactory conclusion HM Revenue & Customs enquiries relating to this claim and to other taxation matters from the previous period

6 Tax credit on loss on ordinary activities

No tax charge was incurred in respect of current or deferred tax in the period ended 31 March 2007 (2005 £nil) The tax credit for the period of £345,075 (2005 £342,535) relates to the Research and Development ("R&D") tax credit claim in respect of the accounting period ended 31 March 2007

Current tax	16 months ended 31 Mar 2007	Year ended 30 Nov 2005
	£	£
UK corporation tax credit at 16% and tax credit on loss on ordinary activities	**345,075**	342,535

Tax losses available to be carried forward at 31 March 2007 are estimated at approximately £34 million (2005 £27 million), subject to the agreement of the Inland Revenue As a result of these tax losses, the Company has a potential deferred tax asset which has not been recognised

The tax assessed for the period differs from the standard rate of UK corporation tax of 16% (2005 16%) The differences are explained below

	16 months ended 31 Mar 2007	Year ended 30 Nov 2005 (Restated)
	£	£
Loss for the financial period/ year	**5,927,798**	5,595,946
Loss on ordinary activities multiplied by the standard rate of corporation tax of 16% (2005 16%)	**948,448**	895,351
Effects of		
Expenses not deductible for tax purposes	**(18,973)**	(141,730)
Carry forward of tax losses	**(812,418)**	(516,596)
Difference between capital allowances and depreciation	**228,269**	108,962
Short-term timing differences	**(251)**	(3,452)
Total current tax	**345,075**	342,535

Notes to the financial statements (continued)

6 Tax credit on loss on ordinary activities (continued)

Deferred tax

	Recognised		Unrecognised	
	31 Mar 2007	30 Nov 2005	**31 Mar 2007**	30 Nov 2005 (Restated)
	£	£	**£**	£
Difference between capital allowances and depreciation	**-**	-	**438,271**	641,576
Share-based payments	**-**	-	**35,192**	40,801
Other provisions	**-**	-	**(1,726)**	(6,473)
Carry forward of tax losses	**-**	-	**(10,381,428)**	(7,178,914)
	-	-	**(9,909,691)**	(6,503,010)

The Company has tax losses carried forward at the balance sheet date amounting to £10 million (calculated at 30%), which have not been recognised as the Directors expect that it will take some time for tax losses to be relieved and the recoverability of the resulting deferred tax asset is likely to be relatively uncertain Therefore it is not appropriate to recognise the deferred tax asset

Notes to the financial statements (continued)

7 Directors and employees costs

Directors

The aggregate emoluments of the directors of the Group are set out below

	16 months ended 31 Mar 2007 £	Year ended 30 Nov 2005 (Restated) £
Aggregate emoluments in respect of qualifying services	**252,250**	290,380
Share-based payment	**84,835**	74,375
Aggregate group pension contributions to money purchase schemes	**11,564**	12,630
	348,649	377,385

The emoluments of the highest-paid director of the group are set out below

	16 months ended 31 Mar 2007 £	Year ended 30 Nov 2005 (Restated) £
Emoluments in respect of qualifying services	**173,333**	120,734
Share-based payment	**84,835**	74,375
Group pension contributions to money purchase schemes	**11,564**	6,101
	269,732	201,210

Retirement benefits are accruing to one executive director (2005 two) under a defined contribution scheme

The directors did not receive any taxable benefits-in-kind from the Company or Group during the year

No share options were exercised by the highest paid director and no shares or share options were received or receivable by that director in respect of qualifying services under a long-term incentive scheme during the period

Notes to the financial statements (continued)

7 Directors and employees (continued)

Employees

Group

Particulars of employees (including Executive Directors) are shown below

The average monthly number of employees (including Executive Directors) was

	16 months ended 31 Mar 2007 Number	Year ended 30 Nov 2005 (Restated) Number
Production	**30**	35
Administration	**17**	19
	47	54

Their aggregate remuneration comprised

	£	£
Wages and salaries	**1,732,111**	1,440,383
Share-based payments	**117,307**	136,006
Social security costs	**186,889**	158,224
Pension	**86,087**	89,542
	2,122,394	1,824,155

Company

Particulars of employees (including Executive Directors) are shown below

The average monthly number of employees (including Executive Directors) was

	16 months ended 31 Mar 2007 Number	Year ended 30 Nov 2005 (Restated) Number
Production	**26**	24
Administration	**12**	12
	38	36

Their aggregate remuneration comprised

	£	£
Wages and salaries	**1,697,610**	1,391,890
Share-based payments	**117,307**	136,006
Social security costs	**182,685**	151,655
Pension	**81,395**	82,855
	2,078,997	1,762,406

Of the total pension costs above, £5,752 (2005 £21,577) remained unpaid at the period end

Notes to the financial statements (continued)

8 Losses of holding company

Of the loss for the financial period, a deficit of £6,218,232 (2005 a loss of £7,247,289) is dealt with in the accounts of GeneMedix plc The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the Company alone

9 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares The group had three classes of dilutive potential ordinary shares during the period, being those share options granted to employees and directors where exercise price is less than the average market price of the Company's ordinary shares during the period, the contingently issuable shares attached to the warrants (see Note 22 for details) and the contingently issuable shares attached to the convertible debentures (see Note 18 for details) Since the Company reported a net loss, diluted loss per share is equal to basic loss per share

The calculations of loss per share are based on the following losses and numbers of shares

	Basic and diluted	
	16 months ended 31 Mar 2007 £	Year ended 30 Nov 2005 (Restated) £
Loss from continuing operations for the period	**5,273,247**	4,489,643
Loss from discontinued operations for the period	**232,107**	647,826
Loss for the period	**5,505,354**	5,137,469
Weighted average number of shares	**Number of shares**	Number of shares
For basic and diluted loss per share	**47,891,216**	34,961,514

These balances reflect a share consolidation of one new ordinary share for every 10 old shares, which took place on 12 February 2007

Notes to the financial statements (continued)

10 Intangible fixed assets

	Group				Company		
	Know-how £	Licence fee £	Goodwill £	Total £	Know-how £	Licence fee £	Total £
Cost							
Beginning of period	33,333	3,306,408	4,694,401	8,034,142	33,333	3,306,408	3,339,741
Disposals*	-	-	(4,694,401)	(4,694,401)	-	-	-
End of period	**33,333**	**3,306,408**	**-**	**3,339,741**	**33,333**	**3,306,408**	**3,339,741**
Amortisation							
Beginning of period	6,667	3,253,761	3,930,930	7,191,358	6,667	3,253,761	3,260,428
Charge for the period	2,963	5,014	106,347	114,324	2,963	5,014	7,977
Disposal	-	-	(4,037,277)	(4,037,277)	-	-	-
End of period	**9,630**	**3,258,775**	**-**	**3,268,405**	**9,630**	**3,258,775**	**3,268,405**
Net book value							
At 31 March 2007	**23,703**	**47,633**	**-**	**71,336**	**23,703**	**47,633**	**71,336**
At 30 November 2005	26,666	52,647	763,471	842,784	26,666	52,647	79,313

*The goodwill disposal is in connection with the sale of SGB, a 75% owned subsidiary Further details are disclosed in Notes 12 and 13

Notes to the financial statements (continued)

11 Tangible fixed assets

Group	Short term leasehold land and buildings £	Office equipment £	Fixtures and fittings £	Plant and machinery £	Total £
Cost					
Beginning of period	1,902,434	221,882	201,116	6,602,001	8,927,433
Currency translation difference	(177,837)	(4,157)	(56)	(94,534)	(276,584)
Additions	-	25,642	23,529	33,698	82,869
Disposals	(1,724,597)	(112,330)	-	(819,401)	(2,656,328)
End of period	**-**	**131,037**	**224,589**	**5,721,764**	**6,077,390**
Depreciation					
Beginning of period	706,278	142,715	61,763	2,281,017	3,191,773
Currency translation difference	(66,022)	(3,658)	32	(37,111)	(106,759)
Charge for the period	140,461	48,942	28,387	886,971	1,104,761
Disposals	(780,717)	(111,566)	-	(449,381)	(1,341,664)
End of period	**-**	**76,433**	**90,182**	**2,681,496**	**2,848,111**
Net book value					
At 31 March 2007	**-**	**54,604**	**134,407**	**3,040,268**	**3,229,279**
At 30 November 2005	1,196,156	79,167	139,353	4,320,984	5,735,660

Notes to the financial statements (continued)

11 Tangible fixed assets (continued)

Company

	Office equipment £	Fixtures and fittings £	Plant and machinery £	Total £
Cost				
Beginning of period	177,811	201,116	6,047,102	6,426,029
Currency translation	(37)	(56)	(10,039)	(10,132)
Additions	25,642	23,529	33,698	82,869
Disposals	(72,379)	-	(348,997)	(421,376)
End of period	**131,037**	**224,589**	**5,721,764**	**6,077,390**
Depreciation				
Beginning of period	103,197	61,763	1,872,255	2,037,215
Currency translation	36	31	1,099	1,166
Charge for the period	45,579	28,388	808,142	882,109
Disposals	(72,379)	-	-	(72,379)
End of period	**76,433**	**90,182**	**2,681,496**	**2,848,111**
Net book value				
At 31 March 2007	**54,604**	**134,407**	**3,040,268**	**3,229,279**
At 30 November 2005	74,614	139,353	4,174,847	4,388,814

Assets held under finance leases, capitalised and included in plant and machinery for the Group and Company

	31 Mar 2007 £	30 Nov 2005 £
Cost		
Beginning of period	**2,896,632**	2,958,245
Currency translation	**(5,706)**	(61,613)
End of period	**2,890,926**	2,896,632
Depreciation		
Beginning of period	**979,609**	704,621
Currency translation	**(1,929)**	(14,675)
Charge for the period	**382,964**	289,663
End of period	**1,360,644**	979,609
Net book value		
At 31 March 2007	**1,530,282**	1,917,023
At 30 November 2005	**1,917,023**	2,253,624

On 26 March 2007, the Company repurchased all leased plant and machinery in the sale and leaseback agreements, hence all previously leased assets are now owned by the Company from that day onwards

Notes to the financial statements (continued)

12 Fixed asset investments

Company	31 Mar 2007 £	30 Nov 2005 £
Subsidiary undertakings		
Cost	**7,054,675**	7,054,675
Disposal	**(7,054,675)**	-
Net book value	-	7,054,675
Accumulated impairment at the beginning of the period	**(5,350,000)**	(2,350,000)
Impairments in the period	**(1,051,332)**	(3,000,000)
Disposal	**6,401,332**	-
Accumulated impairment at the end of the period	-	(5,350,000)
Net book value	-	1,704,675
Joint Venture		
Cost	-	11,607
Disposals in the period	-	(11,607)
Net book value	-	-
Net book value at the end of the period	-	1,704,675

The impairment recorded against investments in subsidiary undertakings relates to a write down in the carrying value of the investment in Shanghai GeneMedix Biotechnology Co Ltd (SGB) The impairment charge in the period was recognised to reduce the carrying value of the investment to its recoverable amount, and as such no gain or loss was recognised on the sale of the investment The group completed the sale of SGB in December 2006

In 2005, a joint venture partner, Antibioticos SA, terminated the licensing agreement with the Company As the joint venture had never traded since formation, the 25% shareholding of the joint venture with Antibioticos Biotechnologies SA was written off

Principal group investments

The parent company has investments in the following subsidiary undertakings that principally affected the losses The results of SGB have been excluded from the consolidated results from December 2006, at which point control passed to the acquiring party

	Country of incorporation	Principal activity	% Ordinary shareholding
Subsidiary undertakings			
Shanghai GeneMedix Biotechnology Co Ltd (SGB)	People's Republic of China	Therapeutic protein manufacture	75%
GeneMedix Biotech Malaysia Sdn Bhd	Malaysia	Dormant	100%

Notes to the financial statements (continued)

13 Sale of subsidiary undertaking

Sale of Shanghai GeneMedix Biotechnology Co Ltd (SGB)

	£
Tangible fixed assets	1,310,315
Debtors	17,842
Creditors	(370,778)
Goodwill	657,124
Minority interest	15,848
Total cash consideration	1,630,351

In December 2006, the group sold SGB, a 75% owned subsidiary, for £1 6 million in cash, of which £670,984 was received and the remaining consideration is due to be received in the course of the 2007 calendar year There is no profit on the sale The loss of SGB up to the date of disposal was £232,107, and for its last financial year was £647,826

SGB was the group's only GM-CGF product manufacturing operation and the disposal completed the exit from these activities As a result of the focus of the group's operations that this disposal represented, it has been treated as a discontinued operation in the profit and loss account

14 Stock

	Group		Company	
	31 Mar 2007	30 Nov 2005	**31 Mar 2007**	30 Nov 2005
	£	£	**£**	£
Raw materials and consumables	**129,736**	20,863	**129,736**	-
	129,736	20,863	**129,736**	-

There is no material difference between the balance sheet value of stocks and their replacement cost

15 Debtors

	Group		Company	
	31 Mar 2007	30 Nov 2005	**31 Mar 2007**	30 Nov 2005
	£	£	**£**	£
Amounts falling due within one year				
Trade debtors	**-**	16,570	**-**	-
Amount due on sale of subsidiary (Note 13)	**959,367**	-	**959,367**	-
Other debtors	**107,055**	636,955	**107,055**	612,921
Corporation tax recoverable	**345,075**	342,535	**345,075**	342,535
Amounts owed by group undertakings	**-**	-	**-**	524,966
Prepayments and accrued income	**257,310**	72,690	**257,310**	65,671
	1,668,807	1,068,750	**1,668,807**	1,546,093

Notes to the financial statements (continued)

16 Creditors amounts falling due within one year

	Group		Company	
	31 Mar 2007	30 Nov 2005	**31 Mar 2007**	30 Nov 2005
	£	£	**£**	£
Bank loan	-	114,416	-	-
Other loans (Note 31)	**150,000**	300,000	**150,000**	300,000
Trade creditors	**1,075,111**	588,585	**1,075,111**	548,977
Other creditors	**283,993**	408,309	**283,993**	-
Taxation and social security	**17,024**	23,404	**17,024**	23,404
Obligations under finance leases	-	518,358	-	518,358
Accruals	**260,861**	284,472	**260,861**	188,646
	1,786,989	2,237,544	**1,786,989**	1,579,385

17 Creditors: amounts falling due after more than one year

	Group		Company	
	31 Mar 2007	30 Nov 2005	**31 Mar 2007**	30 Nov 2005
	£	£	**£**	£
Debentures convertible loan notes				
5% convertible unsecured loan stock due 2007*	-	3,250,000	-	3,250,000
Interest accrued to 30 November on 5% convertible unsecured loan stock	-	556,507	-	556,507
	-	3,806,507	-	3,806,507
4% convertible unsecured loan stock due 2008 (Note 18)**	**1,177,442**	1,177,442	**1,177,442**	1,177,442
Classified as equity in accordance with FRS 25	**(305,025)**	-	**(305,025)**	-
Interest accrued to 30 November on 4% convertible unsecured loan stock	**77,507**	-	**77,507**	-
	949,924	1,177,442	**949,924**	1,177,442
4% convertible unsecured loan stock due 2007***	-	500,000	-	500,000
Interest accrued to 30 November on 4% convertible unsecured loan stock	-	1,863	-	1,863
	-	501,863	-	501,863
Total convertible debts	**949,924**	5,485,812	**949,924**	5,485,812
Obligations under finance leases	-	269,667	-	269,667
	949,924	5,755,479	**949,924**	5,755,479

Notes to the financial statements (continued)

17 Creditors: amounts falling due after more than one year (continued)

* 5% £3,250,000 convertible unsecured loan stock (CULS) due in 2007 was convertible at the option of the holder into, between 1 1 million and 0 8 million, fully paid 10p ordinary shares of the Company in a range between £2 9 and £3 9 per 10p ordinary share at any time up to and including 28 June 2004 and may be redeemed at the option of the issuer between 29 June 2002 and 28 June 2007 at par The fair value of the CULS prior to the re-negotiation was £3,312,379 comprising a nominal value of £3,250,000 and accrued interest of £678,382, minus a portion recognised as equity of £616,003 During the period, the CULS was re-negotiated and redeemed for a cash consideration of £1,221,090, of which £191,477 reflected the settlement of the equity element of the CULS The Company recognised a gain of £2,282,766 on this settlement below carrying value, with the gain on the equity element of £424,526 being recognised direct in the profit and loss reserve

** 4% £1,177,442 CULS due in 2008 is convertible at the option of the holder into, between 1 9 million and 2 1 million, 10p ordinary shares at any time up to and including 30 August 2008 Unless previously redeemed or converted, it will be redeemed at par on 30 August 2008 The fair value of the CULS at 31 March 2007 is £949,924, which comprises a nominal value of £1,177,442 and accrued interest of £77,507, minus a portion recognised as equity of £305,025

*** 4% £500,000 CULS due in 2007 was convertible at the option of the holder into, between 1 2 million and 1 3 million, fully paid 10p ordinary shares of the Company at any time up to and including 12 October 2007 Prior to conversion into ordinary shares, the fair value of the CULS was £408,139, comprising a nominal value of £500,000, and accrued interest of £21,863, minus a portion recognised as equity of £113,724 The CULS were converted into ordinary shares on 16 February 2007 (Note 20)

During the period, two CULS were issued and subsequently converted into ordinary shares

- 4% £107,000 CULS due in 2009 convertible, at the option of the holder into between 0 25 and 0 28 million fully paid 10p ordinary shares of the Company at any time up to and including 15 February 2009, containing a hard floor in relation to the conversion price equal to 3 825p The fair value of the CULS prior to the conversion was £90,020, comprising a nominal value of £107,000, an accrued interest of £3,371, minus an equity element of £20,351 The CULS was converted into ordinary shares on 16 February 2007 (Note 20)

- The other debenture loan represents 5% £50,000 CULS convertible, at the option of the holder, into between 0 2 and 0 15 million, fully paid 10p ordinary shares of the Company at any time up to and including 19 May 2009, containing a hard floor in relation to the conversion price equal to 3 375p The fair value of the CULS prior to the conversion was £43,401, comprising a nominal value of £50,000, an accrued interest of £1,326, minus an equity element of £7,924 The CULS was converted into ordinary shares on 16 February 2007 (Note 20)

Notes to the financial statements (continued)

18 Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities, other than short-term trade creditors, accruals and minority interests is as follows

	Group and Company			
	Other loans	Finance leases	Convertible loan notes	Total
	£	£	£	£
In one year or less	150,000	-	-	150,000
In more than one year, but not more than two years	-	-	949,924	949,924
	150,000	-	949,924	1,099,924

Other loans represent three unsecured bridging loans of £50,000 each lent by Dr Kim Tan (Note 31) The carrying amounts of short-term loans approximate their fair value

Convertible debentures include a 4% convertible loan note due in 2008 for the carrying amount of £949,924 (Note 17), which was the initial investment into a Joint Venture to construct a manufacturing facility in Malaysia This has been restructured from an unsecured loan in short-term creditors into a long-term debt instrument with GeneMedix plc, issued in return for the Company's insulin licence and potentially the rights to other GeneMedix plc products in certain limited territories It is convertible at the option of the holder into, between 1 9 and 2 1 million, 10p ordinary shares at any time up to and including 30 August 2008 Unless previously redeemed or converted, it will be redeemed at par on 30 August 2008

19 Provisions for liabilities and charges

	Group		Company	
	31 Mar 2007	30 Nov 2005	**31 Mar 2007**	30 Nov 2005
	£	£	**£**	£
National Insurance Contributions payable on share options				
Balance as at the beginning of the period	**524**	48,252	**524**	48,252
Credit to the profit and loss account	**(524)**	(47,728)	**(524)**	(47,728)
At the end of the period	**-**	524	**-**	524

Provisions relate to National Insurance Contributions (NIC) which will become payable on the exercise of share options These share options can be exercised as shown in Note 21, with the amount payable dependent on the Company's share price at the date of exercise of the options The provision has been calculated based on the share price at the balance sheet date of 17 5p (2005 45p) and the assumption that all employees will exercise the share options and that the rate of NIC is 12 8% (2005 12 8%)

Notes to the financial statements (continued)

20 Called up share capital

Authorised

On 12 February 2007, every ten ordinary shares of 1p each were consolidated into one ordinary share of 10p The authorised share capital of the Company and the called-up and fully-paid amounts (after adjustment for consolidation) were as follows

	31 Mar 2007		30 Nov 2005	
Authorised	Number	£	Number	£
Ordinary shares of 10p each (2005 1p each)	**302,000,000**	**30,200,000**	60,000,000	6,000,000
Called-up, issued and fully-paid				
Ordinary shares of 10p each (2005 1p each)	**155,717,873**	**15,571,787**	37,157,341	3,715,734
Equity portion of convertible loan notes under FRS 25 (see Note 17 and 23)		**305,025**		-

	10p ordinary shares Number	**£**
At beginning of period	37,157,340	3,715,734
Shares issued for cash consideration – Reliance Life Sciences Private Limited	116,825,457	11,682,546
Shares issued on conversion of loan notes	1,735,076	173,507
At end of period	**155,717,873**	**15,571,787**

During the period, the Company issued the following shares

Date	**Number of shares**	**Price at offering per share**	**Premium per share**	**Total premium £**
For consideration on 12 Feb 2007				
Reliance Life Sciences Private Limited	116,825,457	12 50p	2 50p	2,920,636
On conversation of loan notes on 16 Feb 2007				
4% £500,000 convertible loan note (Note 31)	1,307,190	38 25p	28 25p	369,281
4% £107,000 convertible loan note (Note 31)	279,739	38 25p	28 25p	79,027
5% £50,000 convertible loan note (Note 31)	148,147	33 75p	23 75p	35,185
Total shares issued on conversion of loan notes	1,735,076			483,493
Total additions during the period	118,560,533			3,404,129

Included in the premium arising on shares issued upon conversion of the loan notes, is an amount of £141,999 which represents the conversion of the equity element of the loan notes (Note 17), transferred from Capital Reserve (Note 23)

Notes to the financial statements (continued)

21 Share-based payments

Share options granted under the unapproved scheme have a fixed price based on the market price at the date of the grant The contractual life of the options is 10 years Options cannot normally be exercised before the third anniversary of the date of the grant For options granted to all directors and employees, the options are exercisable after the vesting period Within three working days from exercising options, option holders have to pay the Company the total exercised option price by cheque

Employees have been granted options over shares in the Company under the unapproved share option scheme as follows

1 Dec 2005 number after consolidation	Number of options forfeited	Number of options granted	Number of options exercised	31 Mar 2007 number	Exercise Price £	Latest exercise date
13,275	-	-	-	13,275	0 424	13/01/2010
57,000	(42,000)	-	-	15,000	6 333	14/05/2010
30,000	-	-	-	30,000	6 167	17/05/2010
75,000	(30,000)	-	-	45,000	9 000	16/10/2010 and 01/12/2010
10,000	-	-	-	10,000	9 700	21/05/2011
20,000	(20,000)	-	-	-	8 450	02/07/2011
4,000	-	-	-	4,000	8 150	10/08/2011
10,000	-	-	-	10,000	3 950	12/11/2011
4,500	-	-	-	4,500	4 600	17/12/2011
12,000	-	-	-	12,000	4 750	04/01/2012 to 07/01/2012
2,500	-	-	-	2,500	4 350	08/04/2012
3,500	-	-	-	3,500	4 400	22/04/2012
4,500	-	-	-	4,500	2 400	22/07/2012
8,500	-	-	-	8,500	1 800	06/08/2012 to 02/12/2012
20,000	(5,000)	-	-	15,000	4 650	31/12/2012
3,500	-	-	-	3,500	1 250	12/11/2013
3,500	-	-	-	3,500	1 300	10/11/2013
50,000	-	-	-	50,000	0 900	18/12/2013
6,000	-	-	-	6,000	1 525	01/03/2014 to 13/07/2014
13,500	-	-	-	13,500	1 350	23/08/2014
3,500	-	-	-	3,500	1 435	11/08/2014
142,500	(50,000)	-	-	92,500	1 125	23/11/2014
3,000	-	-	-	3,000	1 000	12/07/2015
4,000	-	-	-	4,000	0 920	12/07/2015
3,000	(3,000)	-	-	-	0 970	12/07/2015
3,500	(3,500)	-	-	-	0 711	12/07/2015
3,500	-	-	-	3,500	0 730	12/07/2015
5,000	-	-	-	5,000	0 780	12/07/2015
150,000	-	-	-	150,000	0 425	13/10/2015 to 28/11/2015
-	-	4,000	-	4,000	0 513	06/09/2015
-	-	2,500	-	2,500	0 475	28/11/2015

Notes to the financial statements (continued)

21 Share-based payments (continued)

1 Dec 2005 number after consolidation	Number of options forfeited	Number of options granted	Number of options exercised	31 Mar 2007 number	Exercise Price £	Latest exercise date
-	-	3,500	-	3,500	0 455	17/10/2015
-	-	4,000	-	4,000	0 432	05/12/2015
669,275	**(153,500)**	**14,000**	**-**	**529,775**		

Equity-settled share-based payments

	Employee Share Option Plan Number of options	WAEP* £
At 1 December 2002		
Options outstanding (excluding pre 7 November 2002)	-	-
Movements during 2002/03		
Options granted	7,000	1 74
Options exercised	-	-
Options forfeited	-	-
Options outstanding at 30 November 2003	7,000	1 74
Movements during 2004/05		
Options granted	407,500	1 10
Options exercised	-	-
Options forfeited	(3,500)	(1 70)
Options outstanding at 30 November 2004	411,000	1 11
Movements during 2004/05		
Options granted	172,000	0 48
Options exercised	-	-
Options forfeited	(184,500)	(1 09)
Options outstanding at 30 November 2005	398,500	0 85
Movements during 2005/07		
Options granted	14,000	0 47
Options exercised	-	-
Options forfeited	(56,500)	(1 09)
Options outstanding at 31 March 2007	356,000	0 79
Range of exercise prices		0 43 to 1 80
Options exercisable at 31 March 2007		290,566

* weighted average exercise price

21 Share-based payments (continued)

The options outstanding at 31 March 2007 had a weighted average exercise price of £0 79, and a weighted average remaining contractual life of 7 92 years

The fair value of the options is estimated at the date of grant using the Black-Scholes pricing model The following table gives the assumptions applied to the options granted in the respective periods shown

	16 months ended 31 Mar 2007	Year ended 30 Nov 2005	Year ended 30 Nov 2004	Year ended 30 Nov 2003
Weighted average share price (£)	0 79	0 85	1 11	1 74
Weighted average exercise price (£)	0 79	0 85	1 11	1 74
Expected volatility (%)	89%	96%	71%	52%
Expected life (years)	10	10	10	10
Risk-free interest rate (%)	4 9%	4 2%	4 6%	5 1%
Expected dividend yield (%)	None	None	None	None
Weighted average fair value of shares (£)	0 69	0 76	0 88	1 20

The expected volatility is based on the historical volatility of the underlying security (calculated based on the standard deviation of the month to month logarithmic price returns expressed as an annual percentage) adjusted for any expected changes to future volatility due to publicly available information The risk free interest rate is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life

The Group recognised a total expense of £136,006 and £117,307 related to equity-settled share-based payment transactions for the year ended 30 November 2005 and 16 months ended 31 March 2007 respectively

22 Warrants

The Company has by an instrument dated 2 February 2007, issued a warrant, representing 140,374,297 additional Ordinary Shares pursuant to a put/call agreement dated 19 December 2006 Reliance Life Sciences Private Limited ("RLS") has the right to subscribe in cash at a price of £0 125 per ordinary share for some or all of the warrant shares during a five-year period

The fair value of the warrants as at the date of grant has been calculated as the premium above market value paid by RLS on the ordinary shares that were acquired at the same time as the warrants Details are as follows

Share subscribed price per share (£)	0 125
Value per share (£)	0 100
Premium per share (£)	0 025
Number of shares issued and paid	116,825,457
Fair value of the warrants (£)	2,920,636

A credit of £2,920,636 has been made to the warrant reserve during the period, reflecting the fair value of the warrant at the time of its issue

Notes to the financial statements (continued)

23 Reserves

The movements on reserves during the period were as follows:
Group

	Share premium account £	Capital reserve £	Warrant reserve £	Profit and loss account £
At beginning of period	27,119,196	-	-	(29,809,815)
Equity element of debenture loan notes	-	1,063,027	-	-
Premium on shares issued for cash consideration	2,920,636	-	-	-
Transfer to warrant reserve	(2,920,636)	-	2,920,636	-
Premium on shares issued on conversion of loan notes	341,494	-	-	-
Equity element of debenture loan notes transferred to Share Premium on conversion of loan notes	141,999	(141,999)	-	-
	483,493			
Loss for the financial period	-	-	-	(5,505,354)
Exchange difference offset in reserves	-	-	-	16,811
Equity portion of debenture loan note paid (Note 17)	-	(191,477)	-	-
Gain on early extinguishment of equity element of debenture loan notes	-	(424,526)	-	424,526
Equity-settled share-based payment	-	-	-	117,307
At end of period	27,602,689	305,025	2,920,636	(34,756,525)

Company

	Share premium account £	Capital reserve £	Warrant reserve £	Profit and loss account £
At beginning of period	27,119,196	-	-	(29,080,126)
Equity element of debenture loan notes	-	1,063,027	-	-
Premium on shares issued	2,920,636	-	-	-
Transfer to warrant reserve	(2,920,636)	-	2,920,636	-
Premium on shares issued on conversion of loan notes	341,494	-	-	-
Equity element of debenture loan notes transferred to Share Premium on conversion of loan notes	141,999	(141,999)	-	-
	483,493			
Loss for the financial period	-	-	-	(6,218,232)
Equity portion of debenture loan note paid (Note 17)	-	(191,477)	-	-
Gain on early extinguishment of equity element of debenture loan notes	-	(424,526)	-	424,526
Equity-settled share-based payment	-	-	-	117,307
At end of period	27,602,689	305,025	2,920,636	(34,756,525)

Notes to the financial statements (continued)

24 Reconciliation of movement in group shareholders' funds

	16 months ended 31 Mar 2007	Year ended 30 Nov 2005 (Restated)
	£	£
Loss for the financial period/ year	**(5,505,354)**	(5,137,469)
Gain on exchange adjustments offset in reserves	**16,811**	72,595
Gain on early extinguishment of equity element of debenture loan notes	**424,526**	-
Shares issued for cash consideration (Note 20)	**11,682,546**	3,373,025
Warrant reserve created on issue of warrants (Note 22)	**2,920,636**	-
Shares issued on conversion of loan notes (Note 20)	**173,507**	-
Premium on shares issued on conversion of loan notes	**483,493**	-
Reclassification of equity element of convertible loan notes, net of conversions and redemptions	**305,025**	-
Equity-settled share-based payment	**117,307**	136,006
Net increase/ (decrease) in shareholders' funds	**10,618,497**	(1,555,843)
Opening shareholders' funds	**1,025,115**	2,580,958
Closing shareholders' funds	**11,643,612**	1,025,115

25 Reconciliation of group operating loss to net cash outflow from operating activities

	16 months ended 31 Mar 2007	Year ended 30 Nov 2005 (Restated)
	£	£
Operating loss	**(7,909,984)**	(5,632,441)
Depreciation on tangible fixed assets	**1,104,761**	855,980
Amortisation of intangible assets	**114,324**	112,330
Impairments of goodwill	**-**	300,000
Investment write-off	**-**	11,607
Equity-settled share-based payment	**117,307**	136,006
(Increase)/decrease in stock	**(108,873)**	30,984
Decrease/(increase) in debtors	**853,063**	(340,914)
(Decrease)/increase in creditors	**634,606**	238,658
Decrease in provisions	**(524)**	(47,728)
Net cash outflow from operating activities	**(5,529,980)**	(4,335,518)
Net cash outflow from operating activities comprises:		
Continuing operating activities	**(5,568,133)**	(4,360,231)
Discontinued operating activities	**38,153**	24,713
	(5,529,980)	(4,335,518)

Notes to the financial statements (continued)

26 Analysis of cash flows

Return on investments and servicing of finance	**16 months ended 31 Mar 2007 £**	Year ended 30 Nov 2005 £
Interest received	**27,405**	35,129
Interest paid	**(54,165)**	(13,000)
Interest element of finance lease rentals	**(29,661)**	(54,008)
	(56,421)	(31,879)
Taxation		
Tax credit received	**342,535**	368,338
Capital expenditure		
Purchase of intangible fixed assets	**-**	(56,408)
Purchase of tangible fixed assets	**(82,869)**	(106,153)
Sale of tangible fixed assets	**24,699**	-
	(58,170)	(162,561)
Acquisitions and disposals		
Disposal of subsidiary undertakings	**670,984**	-
Management of liquid resources		
Movement in cash placed on term deposit	**8,125,544**	687,766
Financing		
Issue of ordinary share capital (net of expenses)	**14,760,182**	3,373,025
Bank loans repaid*	**(103,721)**	-
Other loans (Note 31)	**(150,000)**	300,000
Convertible loan note (repaid)/received (Note 17)	**(1,221,090)**	500,000
Capital element of finance lease payments	**(782,012)**	(493,340)
	12,503,359	3,679,685

* Bank loans for the total amount of £114,416 were carried forward from the previous year These were fully paid with cash of £103,721, with an additional £10,695 being gained due to beneficial currency rate changes on 3 July 2006 Bank loans were denominated in Chinese Renminbi

Non-cash transactions

Under mutual agreement, the 5% £3,250,000 CULS was re-negotiated and redeemed for a cash consideration of £1,221,090 during the period This led to a gain of £2,282,766 and was recognised as other financial income in the profit and loss account Further details are shown in Note 17

Notes to the financial statements (continued)

26 Analysis of cash flows (continued)

Analysis of net (debt)/ funds

	1 December 2005 £	Cash flow £	Others** £	Exchange movement £	**31 March 2007 £**
Cash	399,837	(253,237)	-	(5,945)	**140,655**
Liquid resources*					
- Cash deposits	9,905	9,014,445	-	(34)	**9,024,316**
- Bank deposits – restricted cash***	1,011,368	(888,901)	-	(6,071)	**116,396**
Bank loan due within one year	(114,416)	103,721	-	10,695	**-**
Debts due within one year	(300,000)	150,000	-	-	**(150,000)**
Debentures due after one year	(5,485,812)	1,221,090	3,314,798	-	**(949,924)**
Finance leases	(788,025)	782,012	-	6,013	**-**
Net (debt)/ funds	(5,267,143)	10,129,130	3,314,798	4,658	**8,181,443**

* Liquid resources represent cash deposits placed on money market at call, weekly and monthly terms Bank deposits are secured against the finance leases and can only be drawn down in line with the repayments on the finance leases

** Others represent the movements in Debenture Loan Notes Details are disclosed in Note 27

*** Restricted cash is part of short-term deposits, which are used as a rent deposit for the Company

Notes to the financial statements (continued)

27 Reconciliation of net cash flow to movement in net (debt)/ funds

	16 months ended 31 Mar 2007 £	Year ended 30 Nov 2005 £
(Decrease)/increase in cash in the period/ year	**(253,237)**	205,831
Cash outflow to repay debts and lease financing	**1,035,733**	193,340
Cash from movement in liquid resources	**8,125,544**	(687,766)
Movement in net funds/(debts) in the period/year	**8,908,040**	(288,595)
New unsecured loan notes	**(157,000)**	(500,000)
Cash repaid on early extinguishment of 5% £3,250,000 CULS (Note 17)	**1,221,090**	-
4% £107,000 and 5% £50,000 CULS converted into ordinary shares (Note 20)	**157,000**	-
Others non-cash movement		
New unsecured loan note transferred from short-term creditors	**-**	(1,177,442)
Loan notes' interest accrued for the period	**(224,079)**	(164,364)
Loan notes converted into ordinary shares (Note 20)	**500,000**	-
Transfer to accruals	**26,560**	-
Gain on of early extinguishment of 5% £3,250,000 CULS to P&L account	**2,282,766**	-
Transfer Equity portion of 5% £3,250,000 CULS to P&L Reserve (Note 17)	**424,526**	-
Termination of 4% £3,850,000 CULS*	**-**	3,850,000
Transfer the accrued interest of 4% £3,850,000 CULS to Profit & Loss Account	**-**	253,151
Equity element of 4% £1,177,442 loan note transferred to Capital Reserve (Note 17)	**305,025**	-
	3,314,798	2,761,345
Exchange difference	**4,658**	(13,874)
Net debt at start of period/year	**(5,267,143)**	(7,226,019)
Net (debt)/ funds at end of period/year	**8,181,443**	(5,267,143)

* During 2005, Antibioticos SA terminated the licensing agreement with GeneMedix Consequently, 4% £3,850 000 CULS was convertible at the holder into between 2 5 million and 3 4 million fully paid 10p ordinary shares of the Company in the range of £1 25 to £1 60 per ordinary share, was cancelled and an accrued interest of £253,151 was waived and subsequently recognised as other financial income

28 Financial commitments

a) Operating leases

Annual commitments under non-cancellable operating leases for both the Group and Company are as follows

	Other		Land and buildings	
	31 Mar 2007 £	30 Nov 2005 £	**31 Mar 2007 £**	30 Nov 2005 £
Expiring in less than one year	**1,384**	2,958	**-**	-
Expiring between two and five years	**5,905**	5,775	**-**	-
Expiring after five years	**-**	-	**219,525**	190,846
	7,289	8,733	**219,525**	190,846

Notes to the financial statements (continued)

28 Financial commitments (continued)

b) Capital commitments

At the period end, neither the Group nor the Company has any capital commitments (2005 £nil)

c) Sale and leaseback agreements

Under current accounting practice, these leases are treated as finance leases and the profit and loss account is charged with the interest element of the payments made in each accounting period

During the period, the Company repurchased the leased plant and machinery in the existing sale and leaseback agreements and the final remaining balance on the agreements was paid in full in March 2007 As such no assets were held under sales and leaseback arrangements as at 31 March 2007

29 Financial instruments

The financial risks faced by the Group include interest rate risk, currency risk and liquidity risk The Board reviews and agrees policies for managing each of these risks

The Group's main objectives in using financial instruments are the maximisation of returns from funds held on deposit and, when appropriate, the generation of additional cash resources for Group operations through financing arrangements for capital assets and through the issue of shares, debt instruments and other financing instruments

The Group's policy is to raise cash when it is required and when market conditions are appropriate, using those financial instruments that can be negotiated with the providers of finance at that time These instruments have included shares, convertible loan stock, fixed rate loans, short-term bridge finance and bank overdrafts

The Group does not currently consider it necessary to use derivative financial instruments to hedge exposures to fluctuations in interest and foreign exchange rates as these exposures are not considered significant However, the Group does use borrowings in foreign currency to fund capital expenditure in the same foreign currency where it is appropriate to do so

These objectives, policies and strategies are consistent with those in previous years The balance sheet positions at 31 March 2007 and 30 November 2005 are not necessarily representative of the position throughout the period as cash and short-term investments fluctuate considerably depending on when fund raising activities have occurred

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in FRS 13 "Derivatives and other financial instruments" As permitted by FRS 13, short-term debtors and creditors have been excluded from the disclosures, other than the currency disclosures

a) Currency exposures

The Group's objective in managing its structural currency exposures from its foreign currency expenditure is to maintain a low cost of borrowings, which provides a natural hedge against currency depreciation Gains and losses arising from these structural currency exposures are recognised in the statement of total recognised gains and losses

Notes to the financial statements (continued)

29 Financial instruments (continued)

The table below shows the Group's currency exposures, being those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating currency of the operating unit involved

As at 31 March 2007 these exposures were as follows

	*Net foreign currency liabilities**				
Functional currency of group operation	Sterling £	US Dollars £	Euro £	Chinese Renminbi £	Total £
Sterling	-	83,991	(69,829)	-	14,162
Euro	15,646	175	-	-	15,821
Chinese Renminbi	-	-	-	-	-
Total	15,646	84,166	(69,829)	-	29,983

The exposures at 30 November 2005 for comparative purposes were as follows

	*Net foreign currency liabilities**				
Functional currency of group operation	Sterling £	US Dollars £	Euro £	Chinese Renminbi £	Total £
Sterling	-	1,840	810,859	-	812,699
Euro	24,988	160	-	-	25,148
Chinese Renminbi	382	22	-	-	404
Total	25,370	2,022	810,859	-	838,251

* comprising net trade debtors and creditors

Notes to the financial statements (continued)

29 Financial instruments (continued)

b) Interest rate risk profile of financial assets

The Group has no financial assets other than the following

	31 March 2007			30 November 2005		
	Cash at bank and in hand	Short-term investments and restricted cash	Total	Cash at bank and in hand	Short-term investments and restricted cash	Total
	£	£	£	£	£	£
Currency						
Sterling	115,088	9,045,504	9,160,592	177,167	241,566	418,733
Euro	25,567	62	25,629	173,261	776,921	950,182
Other currencies	-	95,146	95,146	49,409	2,786	52,195
At the end of period	140,655	9,140,712	9,281,367	399,837	1,021,273	1,421,110
Floating rate	115,088	9,140,712	9,255,800	399,837	776,859	1,176,696
Fixed rate	25,567	-	25,567	-	244,414	244,414
Total	140,655	9,140,712	9,281,367	399,837	1,021,273	1,421,110

The fixed rate cash and short-term investments in sterling were placed with banks for between at-call and three months and earn interest of between 0 125% and 3 03% (2005 0 05% and 2 94%) Floating rate cash earns interest based on relevant national LIBID equivalents

c) Interest rate risk profile of financial liabilities

The Group's liabilities, other than short-term liabilities that have been excluded, comprise four categories convertible debt, bank loans, finance leases and provisions

Convertible debt

As at 31 March 2007 the group had 4% convertible loan stock of £1,177,442 (2005 £1,177,442), upon which interest of £77,507 (2005 £nil) had accrued by the end of the period

Bank loan

Bank loans for the total amount of £114,416 (2005 £114,416) were carried forward from the previous year, which carried a weighted average floating interest rate of 7 02%, these were paid fully with cash of £103,721, with an additional £10,695 being gained due to beneficial currency rate changes on 3 July 2006 Bank loans were denominated in Chinese Renminbi There were no other bank loans during the period

29 Financial instruments (continued)

Finance leases

At 31 March 2007 the Group had no outstanding balance (2005 £788,025) in respect of sale and leaseback agreements The Group repurchased all leased plant and machinery and fully paid the remaining balance in March 2007 Finance lease obligations were denominated in Euros There were no additions in sale and leaseback agreements during the period

Provision for National Insurance

Provision for National Insurance of £nil (2005 £524) is a financial liability in sterling on which no interest is paid Maturity depends on when certain share options are exercised The provision for National Insurance is denominated in Sterling

d) Maturity of financial liabilities

The maturity profile of the carrying amount of the group's financial liabilities, other than short-term trade creditors and accruals, at 31 March 2007 is disclosed in Note 18

e) Fair value of financial assets and liabilities

There is no significant difference between the fair value and the carrying value of bank and cash balances, short-term investments and loans Carrying values approximate to fair values because of the short maturity periods of these financial instruments

The fair value of the provision for National Insurance Contribution is £nil (2005 £524), and is the same as the carrying value as this is the amount that would have been payable if the liability had crystallised at the balance sheet date

The group had 4% convertible loan stock of £ £1,177,442 (2005 £1,177,442), upon which interest of £77,507 (2005 £nil) had accrued by the end of period The carrying value of £949,924 of the convertible unsecured loan note has been accounted in accordance with FRS 25 reclassification of equity element of convertible loan notes It was not practical to estimate the fair value of either convertible loan stock with sufficient reliability, as the instrument was unique to the Group The future cash flow associated with the loan stock was difficult to predict with any degree of reliability, as it was wholly dependent upon whether it was converted into shares or redeemed at par

Apart from the aforementioned loan stock, there have been no additions and all other previous existing convertible loan notes have been converted into ordinary shares Further details are shown in Note 20

Notes to the financial statements (continued)

30 Minority interests

	16 months ended 31 Mar 2007 £	Year ended 30 Nov 2005 £
At beginning of period	**70,505**	162,251
Loss on ordinary activities after taxation	**(77,369)**	(115,942)
Loss/ profit on foreign currency translation	**(8,984)**	24,196
Disposal of subsidiary undertakings	**15,848**	-
At end of period	**-**	70,505

31 Related party transactions

On 6 May 2005, Dr Kim Tan lent the Company an unsecured 6 25% loan of £300,000, which was repaid on 16 March 2007 On 13 October 2005, Dr Kim Tan lent the Company £500,000 in return for the issue by the Company of Convertible Loan Note 2007 with a 4% coupon rate, which was converted into ordinary shares on 16 February 2007 During the period, Dr Kim Tan lent the Company the amount of £307,000, of which £107,000 and £50,000 were in return for the issue by the Company of Convertible Loan Notes 2009 with a 4% and 5% coupon rate respectively, which were converted into ordinary shares on 16 February 2007, and unsecured 10% loans of £150,000, which remains outstanding as at the date of this report

The Company has taken the exemption available under FRS 8 not to disclose transactions with group companies held for the entire period There are no other related party transactions

32 Ultimate parent undertaking

The ultimate parent company of GeneMedix Plc is Reliance Life Sciences Private Limited, which is incorporated and registered in India

Reliance Life Sciences Private Limited is the only undertaking for which financial statements which include the consolidated financial statements of GeneMedix Plc are drawn up

Reliance Life Sciences Private Limited is GeneMedix's direct and ultimate controlling party as defined under Financial Reporting Standard 8 "Related Party Disclosures"

33 Post balance sheet event

The UK government has announced that the corporate tax rate will be reduced from 30% to 28% with effect from April 2008 This is not material to the financial statements as deferred assets are not recognised