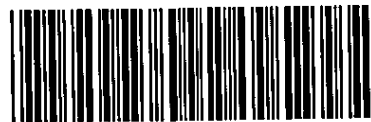


# **Reliance GeneMedix Plc**

Annual report and financial statements  
for the year ended 31 March 2009  
Registered number: 03467317



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## **Chief Executive Officer's statement**

### **Background**

Reliance GeneMedix is a 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. Since February 2007, the company is part of the Reliance Life Sciences Group of companies. The Company is working towards the development, manufacturing and marketing of a portfolio of biosimilar recombinant therapeutic proteins for global markets.

### **Business overview**

I am pleased to present the results for the past financial year, during which the company has achieved significant progress on its development programme for Erythropoietin (EPO). The company continues its efforts of completing the clinical development and obtaining approval for its lead product EPO in EU. The Company has obtained marketing approval for EPO in India. During the past financial year, the company produced a high quality EPO product at its facility in Tullamore, Ireland and also supplied EPO to Reliance Life Sciences for Indian market. During the year, the company has also made good progress in its second product development programme for Granulocyte Colony Stimulating Factor (G-CSF) programme.

In this period of changed macro economic environment, the company has proactively implemented various cost saving projects to conserve cash as well as be more competitive for the future. EPO is being marketed by Reliance Life Sciences under the brand name Relipoietin and has been received well by Indian customers. The Company has also collaborated with its parent company, Reliance Life Sciences to work on strategy of launching EPO in other markets. It is the view of the Directors that the company has and will continue to benefit from its collaboration with Reliance Life Sciences.

In view of the ongoing focus on the clinical development programme and planned activity at the manufacturing site, the company executed a restructuring exercise. This has helped the company to align its human resources to the planned projects and manufacturing activities and has resulted in significant cost reduction.

### **Financial review**

Operating losses of € 4.014 million for the period are in line with the budgets and reflect planned expenditure. The group continues to exercise a strict control on costs in order to help conserve cash.

The group has capitalised development expenditure of € 5.409 million (2008: € 2.809 million) incurred on EPO development programme, post receipt of clinical trial approval in September 2007. Current assets and current liabilities are in line with the level of operations of the group.

The expenditure during the year was partly financed through warrant investment of Reliance Life Sciences and partly through the equity investment received from Reliance Life Sciences in the previous year. The additional

investment on account of warrant exercise by Reliance Life Sciences amounts to £ 13.20 million exercisable at any time during five years from the date of initial allotment. It is envisaged that this investment would be sufficient to finance the group's current programmes.

#### **Board changes**


A notable change in the board has been the appointment of Mr. Dileep Choksi, as a Non-Executive director and chairman of the audit committee. This was necessitated due to unfortunate demise of Mr. R. S. Lodha. Mr. Dileep Choksi, is a finance expert with 35 years of experience and the company expects to utilise Mr. Choksi's advice in its strategy to achieve commercial efficacy.

Mr. Gerhard Klement resigned from the board during the year. The Company expresses its gratitude for his contribution and wishes him well for the future.

#### **Employee commitment**

Finally, I would like to thank the dedicated staff of the Company for their continued hard work. Their contribution has helped the company make significant progress in all its programmes. We look forward to their ongoing commitment for meeting the challenges that lay ahead. The board is committed to implement programmes for training and rewarding employees to motivate them to excel their performance.

Finally, I, Vinay Ranade, am committed to take the Company through its present development programmes to successful completion and launch the products in the EU market.



**Vinay Ranade**

**Chief Executive Officer**

1 September 2009

## **Directors, Secretary and Advisors**

### **Non-Executive Directors**

#### **Dr. R. A. Mashelkar – Non Executive Chairman**

Dr. R. A. Mashelkar, aged 66, was appointed as Non-executive chairman of the company on 24 January 2008. Dr. Mashelkar is an eminent scientist with an outstanding academic record and has held a number of very high profile positions in the field of science and technology. He is presently the President of Global Research Alliance, a network of publicly funded R&D institutes from Asia Pacific, Europe and USA with over 60,000 scientists. He was the President of the Indian National Science Academy (INSA). Prior to this he served as Director General of Council of Scientific and Industrial Research (CSIR). Dr. Mashelkar has 27 honorary doctorates and is only the third engineer to have been elected as Fellow of Royal Society (FRS) London in the twentieth Century.

#### **Mr Dileep Choksi – Non executive director**

Mr. Dileep C. Choksi, aged 59, is a Fellow Member of the Institute of Chartered Accountants of India – Rank holder, a Bachelor of Law, and a Member of the Institute of the Cost and Works Accountants of India and has over 35 years of experience in the field of finance. Dileep is a Non-Executive Director of several leading private companies, including ICICI Lombard General Insurance Co Ltd, ICICI Prudential Asset Management Co Ltd, State Bank of India. He was also a trustee of Child Relief and You (CRY), an organisation that is dedicated to the education and welfare of underprivileged children. Mr. Dileep Choksi was also the Vice Chairman of Deloitte Haskins & Sells in India until his retirement in March 2008.

#### **Mr Atul Dayal – Non executive director**

Mr. Atul Dayal, aged 58, 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.

### **Executive Directors**

#### **Mr K V Subramaniam – Executive director**

Mr. Subramaniam, aged 51, 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.

**Mr Vinay Ranade – Chief executive officer**

Mr. Ranade, aged 42, was appointed as CEO of the company from 1 January 2008. Mr. Ranade is a Chartered Accountant and a management graduate by qualification and has over 17 years of experience in various fields including investment banking, finance and commercial functions, business, projects and operations. He has been a core team member in developing the biotechnology initiatives at Reliance Life Sciences since 2001. He has been associated with the Company during the acquisition process since December 2005 and has been part of the integration team since that date. In his role as CEO, he is responsible for ensuring that the company's objective of delivering of high quality, cost effective biopharmaceuticals to a global healthcare market is achieved and will be developing the infrastructure of the company following its acquisition by Reliance Life Sciences in February 2007.

<b>Secretary</b>	Vinay Ranade
<b>Registered office</b>	Tower 42, 20 <sup>th</sup> floor # 25 Old Broad Street London EC2N1HQ
<b>Plant and Administration Office</b>	IDA Business and Technology Park Sragh, Tullamore, Co Offaly Ireland
<b>Registered number</b>	03467317
<b>AIM Nominated adviser</b>	Deloitte & Touche LLP Athene Place, 66 Shoe Lane, London EC4A 3BQ
<b>AIM Nominated Broker</b>	The Share Centre Oxford House, Oxford Road, Aylesbury Bucks HP21 8SZ
<b>Registrars</b>	SLC Registrars Thames House Portsmouth road Esher, Surrey KT10 9AD
<b>Auditors</b>	Ernst & Young Annville House, Newtown Waterford, Ireland

## **Directors' report**

The directors present their report on the affairs of the group and the audited financial statements for the year ended 31 March 2009. The comparative period is for the year ended 31 March 2008.

### **Principal activities**

The principal activities of the Company and Group are the development and manufacture of biopharmaceuticals, including biosimilars, which are a generic version of innovative recombinant therapeutic proteins. There are plans of expanding the business in the future to include sales and distribution.

### **Business review**

Please refer to Business overview section as set out in the Chief Executive Officer's statement on page 3.

### **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 all other biopharmaceutical companies.

#### *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 intends to test or market products. Many countries, including all members of the EU and the US, have very high standards of appraisal and, accordingly, the approval process can be lengthy. It is noteworthy that regulatory process in EU for biosimilars is well defined and is relatively less rigorous as compared to regulatory process for an innovative product.

#### *Commercial launch*

The Group is intending to market its own products in various markets around the world including EU. The Group has currently no access to any marketing, sale or distribution functions in its main market, EU.

#### *Competition and Market share*

The Group's competitors include, amongst others, major pharmaceutical and biotechnology companies with substantially large financial resources. There is no assurance that the Group's competitors and their products would not adversely affect the market shares that the Group can gain.

#### *Global economic environment*

Many countries in which the Group currently operates and plans to expand in the future are facing recession and experiencing liquidity problems and constrained credit availability. Such conditions may pose challenges in achieving the sales targets and also may have adverse effect on Group's ability to raise capital.



**Key performance indicators (KPIs)**

Research and development costs have remained at similar level as compared to research and development costs in the last year. This is in line with the progress of the group in its product development programmes.

The Directors believe that completion of ongoing development programmes of EPO and GCSF, launching its products in new markets outside EU, and achieving operating efficiencies to reduce product costs are the KPIs for the Company to be successful in achieving commercial efficacy.

**Results and dividends**

The loss for the period was € 2.768 million (2008: € 6.693 million after restatement, please see note 2.1).

In view of the accumulated losses of the Company, the Directors do not recommend payment of a dividend for the year (2008: € nil).

**Research and development**

Reliance GeneMedix is now a part of the Reliance Life Sciences Group which has extensive research and development programmes, commercial and R&D infrastructure facilities in India. During the period, Reliance GeneMedix incurred research and development costs of € 5.833 million (2008: € 6.106 million) predominantly on the development of its EPO, but to a lesser extent on G-CSF as well. The Directors regard continued investment in research and development as a prerequisite for creating and increasing the value of the intellectual property and technical know-how portfolio and to achieve and sustain commercial success in the market place.

**Charitable donations**

During the period, the Company made no charitable donations (2008: € nil).

**Political support**

Reliance GeneMedix did not support, or make any donations to, political parties in the period (2008: € nil).

**Financial instruments and associated risks**

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.

The Group's financial instruments comprise primarily cash and cash equivalents. In addition to the primary financial instruments mentioned above, the Group also has other financial instruments, such as trade creditors and accruals 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 3 to the financial statements sets out the risks in respect of financial instruments, along with numerical disclosures for each category of financial instrument.

#### **Board changes**

Directors express profound grief on the sad demise of Mr. R. S. Lodha. Mr. R. S. Lodha was a member of the board since 20 June 2007 and made an invaluable contribution towards the development of the Company's business. Directors place on record their deep appreciation for the guidance rendered by him during his tenure as Director of the Company.

Other details of board changes are contained in the Chief Executive Officer's statement.

#### **Post balance sheet events**

The sale of our Chinese facility has been completed, and full and final settlement was received in July 2009.

The company terminated its agreements of sales and distribution and secondary manufacturing with Gland Pharma. Gland has rejected the company's request to return the capital equipment owned by the company. Hence the company has taken the matter to arbitration. The Company is confident of a ruling in its favour.

#### **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 2009 were equivalent to 70 days of purchases (2008: 53 days).

#### **Substantial shareholdings**

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.

<b>Name of holder</b>	<b>Number</b>	<b>Percentage held</b>
Dr Kim Tan	14,613,692	9.38%
Reliance Holdings BV	116,825,457	75.02%

Save for the above, the Company has not been notified, 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 2009 and 31 March 2008 had no interest in the shares of the Company.

**International Financial Reporting Standards ("IFRS")**

For 2009, as an AIM listed company, the company is obliged to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. Previously the company prepared its audited annual financial statements under United Kingdom Generally Accepted Accounting Practice (UK GAAP). These are the group's second IFRS financial statements. Details regarding the IFRS compliance and applicability are set out in Note 2.1 to the financial statements.

**Statement on disclosure of information to the auditors**

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

The directors have 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**

PricewaterhouseCoopers resigned as auditors on 22 July 2009 and Ernst & Young were appointed to fill the vacancy arising. Ernst & Young have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

**Nominated advisors**

Deloitte & Touche LLP continue to act as Company's Nominated Advisors and during the year the Company has complied with all listing regulations.

**Special business**

Your attention is drawn to the fact that, in addition to the usual business to be transacted at the Annual General Meeting of the Company, which is to be held on 29 September 2009, some items of special business will be proposed at that meeting. Details of these items of special business will be set out in the notice of Annual General Meeting, which will be enclosed with the Annual Report to be sent to shareholders.

**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 International Financial Reporting Standards (IFRS) as adopted by the European Union.

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with IFRS, 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 are prepared in accordance with International Financial Reporting Standards (IFRS) and 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



**Vinay Ranade**

**Chief Executive Officer & Company Secretary**

1 September 2009

## **Corporate governance**

The Board has 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 Mr. Dileep Choksi. 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, reviews auditor independence and focuses 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 R. A. Mashelkar. 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.

The Nominations Committee comprises the Chairman and all of the independent Non-Executive Directors and is chaired by Dr R. A. Mashelkar. 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



**Vinay Ranade**

**Chief Executive Officer**

1 September 2009

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RELIANCE GENEMEDIX PLC**

We have audited the group and parent company financial statements (the "financial statements") of Reliance GeneMedix plc. for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Cash Flow Statement and the related notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements..

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the chief executive officer's report, the directors' report and the Corporate Governance Statement. 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.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2009;
- 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.

A handwritten signature in black ink, consisting of a large, stylized 'E' followed by a horizontal line.

Ernst & Young  
Registered auditor  
Waterford  
Ireland

1 September 2009

## Consolidated Income Statement

For the year ended 31 March 2009

	Notes	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 €'000 Restated
<b>Continuing operations</b>			
Revenue		608	-
Cost of sales		(608)	-
<b>Gross profit</b>		-	-
Research and development costs		(423)	(3,298)
Administrative expenses		(3,591)	(4,222)
<b>Operating loss</b>		(4,014)	(7,520)
Finance income	6	34	477
Finance costs	7	(85)	(142)
Other income	8	-	59
<b>Loss before taxation</b>		(4,065)	(7,126)
Taxation	13	1,297	433
<b>Loss for the year</b>	12	(2,768)	(6,693)
<b>Loss per share for loss per ordinary share</b>			
Basic	15	(1.8c)	(4.3c)
Diluted	15	(1.8c)	(4.3c)

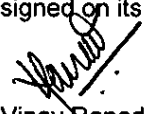


# Company Balance Sheet

As at 31 March 2009

	Notes	31 Mar 2009 €'000	31 Mar 2008 €'000 Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible fixed assets	16	8,246	2,840
Property, plant and equipment	17	3,521	4,201
Investment at cost	18	10	10
Deferred tax assets	13	1,730	433
		<b>13,507</b>	<b>7,484</b>
<b>Current assets</b>			
Inventories	19	647	520
Trade and other receivables	20	768	1,269
Restricted cash	27	176	203
Cash and cash equivalents	27	169	3,309
		<b>1,760</b>	<b>5,301</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	21	(2,327)	(2,100)
Borrowings	22	(1,217)	(1,329)
		<b>(3,544)</b>	<b>(3,429)</b>
<b>Net current (liabilities)/assets</b>		<b>(1,784)</b>	<b>1,872</b>
<b>Total assets less current liabilities/net assets</b>		<b>11,723</b>	<b>9,356</b>
<b>Shareholders' equity</b>			
Share capital	23	22,305	22,305
Share premium	23	39,538	39,538
Shares to be issued	23	5,134	-
Other reserves	25	3,977	3,977
Retained losses		(59,231)	(56,464)
<b>Total shareholders' equity</b>		<b>11,723</b>	<b>9,356</b>

The financial statements on pages 16 to 57 were approved by the Board of Directors on 24 August 2009 and were signed on its behalf by:

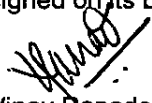
  
Vinay Ranade  
Director

# Consolidated Balance Sheet

As at 31 March 2009

	Notes	31 Mar 2009 €'000	31 Mar 2008 €'000 Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible fixed assets	16	8,246	2,840
Property, plant and equipment	17	3,521	4,201
Investment at cost	18	10	10
Deferred tax assets	13	1,730	433
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<b>Net current (liabilities)/assets</b>		<b>(1,784)</b>	<b>1,872</b>
<b>Total assets less current liabilities/net assets</b>		<b>11,723</b>	<b>9,356</b>
<b>Shareholders' equity</b>			
Share capital	23	22,305	22,305
Share premium	23	39,538	39,538
Shares to be issued	23	5,134	-
Other reserves	25	3,977	3,977
Retained losses		(59,231)	(56,464)
<b>Total shareholders' equity</b>		<b>11,723</b>	<b>9,356</b>

The financial statements on pages 16 to 57 were approved by the Board of Directors on 24 August 2009 and were signed on its behalf by:

  
Vinay Ranade  
Director

## Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Notes	Share capital €'000	Share premium €'000	Shares to be issued €'000	Other reserves €'000	Retained losses €'000	Total €'000
<b>Balance at 1 Apr 2007</b>		<b>22,305</b>	<b>39,538</b>	-	<b>4,620</b>	<b>(49,778)</b>	<b>16,685</b>
Loss for the year as originally stated		-	-	-	-	(7,126)	(7,126)
Correction of prior period error (see note 2.1)		-	-	-	-	433	433
Currency translation adjustment		-	-	-	(643)	-	(643)
Share-based payment	24	-	-	-	-	7	7
<b>Balance at 31 Mar 2008 as restated</b>		<b>22,305</b>	<b>39,538</b>	-	<b>3,977</b>	<b>(56,464)</b>	<b>9,356</b>
Loss for the year		-	-	-	-	(2,768)	(2,768)
Receipts for new shares to be issued	23	-	-	5,134	-	-	5,134
Share-based payment	24	-	-	-	-	1	1
<b>Balance at 31 Mar 2009</b>		<b>22,305</b>	<b>39,538</b>	<b>5,134</b>	<b>3,977</b>	<b>(59,231)</b>	<b>11,723</b>

## Company Statement of Changes in Equity

For the year ended 31 March 2009

	Notes	Share capital €'000	Share premium €'000	Shares to be issued €'000	Other reserves €'000	Retained losses €'000	Total €'000
<b>Balance at 1 Apr 2007</b>		<b>22,305</b>	<b>39,538</b>	-	<b>4,620</b>	<b>(49,778)</b>	<b>16,685</b>
Loss for the year as originally stated		-	-	-	-	(7,126)	(7,126)
Correction of prior period error (see note 2.1)		-	-	-	-	433	433
Currency translation adjustment		-	-	-	(643)	-	(643)
Share-based payment	24	-	-	-	-	7	7
<b>Balance at 31 Mar 2008 as restated</b>		<b>22,305</b>	<b>39,538</b>	-	<b>3,977</b>	<b>(56,464)</b>	<b>9,356</b>
Loss for the year		-	-	-	-	(2,768)	(2,768)
Receipts for new shares to be issued	23	-	-	5,134	-	-	5,134
Share-based payment	24	-	-	-	-	1	1
<b>Balance at 31 Mar 2009</b>		<b>22,305</b>	<b>39,538</b>	<b>5,134</b>	<b>3,977</b>	<b>(59,231)</b>	<b>11,723</b>

## Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Notes	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 €'000
<b>Cash flow from operating activities</b>			
Net Cash used in operating activities	26	(2,507)	(7,577)
<b>Cash flows from investing activities:</b>			
Payments for plant and equipment		(319)	(451)
Payments for intangible assets		(5,409)	(2,809)
Interest received		70	493
Proceeds from disposal of subsidiary		-	1,114
Payments for investments		-	(10)
Decrease/(increase) in restricted cash		27	(24)
Net cash flows used in from investing activities		(5,631)	(1,687)
<b>Cash flows from financing activities:</b>			
Proceeds from exercising share warrants (shares to be issued)		5,134	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		(3,004)	(9,264)
Cash and cash equivalents at the beginning of year	27	3,309	13,116
Net currency translation effect		(136)	(543)
<b>Cash and cash equivalents</b>	27	169	3,309

## Company Cash Flow Statement

For the year ended 31 March 2009

	Notes	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 €'000
<b>Cash flow from operating activities</b>			
Net Cash used in operating activities	26	(2,507)	(7,577)
<b>Cash flows from investing activities:</b>			
Payments for plant and equipment		(319)	(451)
Payments for intangible assets		(5,409)	(2,809)
Interest received		70	493
Proceeds from disposal of subsidiary		-	1,114
Payments for investments		-	(10)
Decrease/(increase) in restricted cash		27	(24)
Net cash flows used in from investing activities		<u>(5,631)</u>	<u>(1,687)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from exercising share warrants (shares to be issued)		<u>5,134</u>	-
<b>Net (decrease)/Increase in cash and cash equivalents</b>		<b>(3,004)</b>	<b>(9,264)</b>
Cash and cash equivalents at the beginning of year	27	<b>3,309</b>	13,116
Net currency translation effect		<u>(136)</u>	<u>(543)</u>
<b>Cash and cash equivalents</b>	27	<u><b>169</b></u>	<u>3,309</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

### 1. General information

Reliance GeneMedix plc ('the Company') and its subsidiaries (collectively referred to as 'the Group' or 'RGMX') develop, manufacture and distribute comparable biotechnology pharmaceuticals, 'Biosimilars', which are a generic version of high value therapeutic proteins.

The Company is a public limited company incorporated under the Companies Act 1985 and domiciled in the United Kingdom. The address of its registered office is Tower 42, 20<sup>th</sup> Floor, 25 Old Broad Street, London, EC 2N 1HQ.

The Company is a subsidiary of Reliance Life Sciences Private Limited, India.

The Company has its primary listing on the Alternative Investment Market (AIM) of the London Stock Exchange.

These group consolidated financial statements were authorised for issue by the board of directors on xx August 2009.

At the date of authorisation of these financial statements, there were Standards and Interpretations in issue but not yet effective which have not been applied. Further details are included in Note 2.1.

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1. Basis of preparation

These financial statements of Reliance GeneMedix plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use by European Union ("EU") and International Financial Reporting Interpretation Committee interpretations ("IFRIC") and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

All IFRSs issued by the International Accounting Standards Board ("IASB") that were effective at the time of preparing the financial statements and adopted by the European Commission for use inside the EU were applied by Reliance GeneMedix plc. These financial statements have been prepared under the historical cost convention.

#### *Use of estimates and judgements*

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 4: Critical accounting estimates and judgements.

## Notes to the Consolidated Financial Statements – Continued

### *Going concern*

The Directors have made an assessment of the general working capital requirements for the next twelve months, including the cash required for operations and of the feasibility of the potential approaches to issuing new ordinary shares, renegotiating or refinancing the convertible loan note. Based on this assessment the Board has a reasonable expectation that the Group can issue new ordinary shares, renegotiate or refinance the convertible loan note and will have adequate resources to continue in operational existence for the foreseeable future and have, therefore, prepared the financial information contained herein on a going concern basis. The financial statements do not reflect any adjustments that would be required to be made if they were to be prepared on a basis other than a going concern basis.

### *New accounting standards*

#### *(a) Standards, amendment and interpretations effective in this financial year*

- IAS 39 (Amendment), 'The fair value option'. The amendment limits the ability for an entity to designate any financial asset or financial liability as at "fair value through profit or loss". The group have applied IAS 39 (Amendment) from 1 April 2008. This implementation has had no impact on the results or net assets of the Group or Company.
- IAS 7 amendment, 'Financial instruments disclosures'. The disclosures advised in this amendment have been incorporated in this annual report.

#### *(b) Standards, amendment and interpretations effective in this financial year but not relevant*

- IFRIC 12 – 'Service concession arrangements';
- IFRIC 13, 'Customer loyalty programmes'; and
- IFRIC 14, 'IAS19 – The limit on a defined-benefit asset, minimum funding requirements and their interaction'.

#### *(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the group has not early adopted them:

- IFRS 2 (Amendment), 'Share-based payment' relating to vesting conditions and cancellations. The amendment will apply retrospectively from 1 January 2009 and specifies that all cancellations of share-based payment arrangements, including those by an employee or other counterparty, should receive the same accounting treatment of requiring immediate recognition in the income statement of the charge that would otherwise have been recognised over the remainder of the service period. The group will apply IFRS 2 (Amendment) from 1 April 2009.
- IAS 23 (Amendment), 'Borrowing costs' requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amended) from 1 April 2009 but it is currently not applicable to the group as there are no borrowing costs relating to qualifying assets.
- IFRS 8, 'Operating segments' replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply IFRS 8 from 1 April 2009.

## Notes to the Consolidated Financial Statements – Continued

- IAS 1 (Amendment), 'Presentation of financial statements'. The amendment is required to be implemented in the Group's financial year commencing 1 April 2009. The amendment requires additional disclosures about the group's objectives, policies and process for managing capital. The group will apply IAS 1 (Amendment) from 1 April 2009.
  - IFRS 3 (Amendment), 'Business combinations'. The amendment will apply to business combinations arising from 1 January 2010. Amongst other changes, the new Standard will require recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill, and transaction costs to be recognised immediately in the income statement. Fair value gains or losses on existing investments in an acquired company will be recognised in the income statement at the date of acquisition.
  - IAS 27 (Amendment), 'Consolidated and separate financial statements' deals with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates. The group will apply IAS 27 (Amendment) from 1 April 2009.
  - IFRS 3 (Amended) and IAS 27 (Amended) will both be applied prospectively to transactions occurring after the implementation date. It is therefore not possible to assess in advance their impact on the financial statements of the Group.
- (d) *Interpretations to existing standards that are not yet effective and not relevant for the group's operations*
- The following interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2009 or later periods but are not relevant for the group's operations:
- IFRIC 15, 'Agreements for the Construction of Real Estate';
  - IFRIC 16 – 'Hedges to a Net Investment in a Foreign Operation';
  - IFRIC 17 – 'Distribution of Non-cash Assets to Owners';
  - IAS 39 (Amendment), 'Eligible hedge items';
  - IFRIC 18 – 'Transfers of Assets from Customers'; and
  - IAS 32 (Amendment) Financial Instruments: Presentation and IAS 1 (Amendment) Presentation of Financial Statements, 'Puttable financial instruments and obligations arising on liquidation'.
- (e) *Company income statement*
- In accordance with the provisions of section 230 of the Companies Act 1985, no separate income statement has been presented for the Company. The results for the Company are also presented under IFRS.

### *Prior period restatement*

The Group has tax losses carried forward at both the current and preceding balance sheet dates. On the basis of detailed projections it is considered probable that sufficient taxable profits will be available to enable these losses to be utilised. A deferred tax asset to the extent that it is considered probable that the losses can be utilised, therefore exists at both balance sheet dates. This asset was incorrectly excluded from the financial statements for the year ended 31 March 2008. The financial statements for the year ended 31 March 2008 have been restated to correct this error. This has resulted in a decrease of €432,777 in Loss after tax for the year ended 31 March 2008



## Notes to the Consolidated Financial Statements – Continued

### 2.2. Consolidation

The underlying financial statements comprise a consolidation of the accounts of the Company and all its subsidiaries. The results of the branch activities are included in the results of the company. There are no trading entities consolidated and hence there is no difference between consolidated and company accounts. The accounts are made up to 31 March.

#### (a) *Subsidiaries*

Subsidiaries are all entities over which the Group has control. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. The results of subsidiaries acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The Group uses the purchase method to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business combinations are recognised at their fair values at the acquisition date. If the conditions of Section 131 of the Companies Act 1985 are met, merger relief is taken on the issue of shares and a merger reserve is recognised. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (b) *Transactions and minority interests*

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

### 2.3. Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro ('€'), which is the company's presentation currency. In the current year the Company's presentation currency has changed to Euro from Pound Sterling for the previous year in line with the restructuring of operations and management control. All monetary assets and liabilities denominated in Pound Sterling as on 31 March 2009 have been converted to Euro at an exchange rate of 1.07483 and other Pound Sterling assets and liabilities have been converted to Euro at historical rates. Further details are shown in Note 4.3.

#### (b) *Transactions and balances*

## Notes to the Consolidated Financial Statements – Continued

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### (c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. Where branch/subsidiaries are funded centrally, using long-term intercompany loans and settlement of these loans is neither planned nor likely to occur in the foreseeable future, they are treated as a deduction in arriving at the net investment and related exchange translation differences are taken to reserves. When a foreign operation is disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

### **2.4. Property, plant and equipment**

Property, plant and equipment is stated at the cost of purchase or construction less provision for depreciation and impairment. The cost of property, plant and equipment includes acquisition costs and labour and overhead costs arising directly from the construction or acquisition of an item of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the income statement during the financial year in which they are incurred.

Property, plant and equipment depreciation is provided on the difference between the cost of an item and its estimated residual value, in equal annual instalments over the estimated useful lives of the assets as follows:

Plant and machinery	10%–20%
Office equipment	10%–20%
Fixtures and fittings	10%–20%
Leasehold improvements/land and buildings	10%–20%

Assets in the course of construction are depreciated when they have been brought into operational use.

Residual values of assets and their useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its

## Notes to the Consolidated Financial Statements – Continued

recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sale and value in use.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

### 2.5. Intangible assets

#### a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### b) *Licences and technical knowhow*

Acquired technical knowhow and licences are shown at historical cost. Technical knowhow and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technical knowhow licences over their estimated useful lives (15 years).

#### c) *Research and development*

Research expenditure is charged to the income statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising it as an asset are met —

- The technical feasibility of completing the asset so that it will be available for use or sale
- The intention to complete the asset and use or sell it
- The ability to use the asset
- The asset will generate probable future economic benefits and demonstrate the existence of a market or the usefulness of the asset if it is to be used internally
- The availability of adequate technical, financial and other resources to complete the development and to use or sell it
- The ability to measure reliably the expenditure attributable to the intangible asset.

Research and development expenditure that does not create, produce or prepare an asset for future use is expensed as incurred. Further details are included in Note 4.1.

Where development costs are capitalised they are amortised over their useful economic lives (10 years) from product launch. Useful economic life has been based on the estimated life cycle for products under development. Prior to product launch the asset is tested annually for impairment.

### 2.6. Impairment of assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment loss is charged to the income statement in the year concerned. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

## **Notes to the Consolidated Financial Statements – Continued**

The expected cash flows generated by the assets are discounted using asset specific discount rates which reflect the risks associated with the groups of assets.

### **2.7. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet. (Note 2.9)

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the other receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'administrative expenses'. When an other receivable is uncollectible, it is written off against the allowance account for other receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

### **2.8. Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method. The cost of finished goods comprises raw materials, direct labour, other direct costs and an appropriate proportion of related production overheads, based on the normal level of production capacity. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for obsolete, slow-moving or defective items where appropriate.

### **2.9. Cash and cash equivalents**

Cash and cash equivalents are cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried in the balance sheet at amortised cost. For the purposes of the cash flow statement, net cash and cash equivalents comprise cash at bank and in hand and short-term deposits.

Restricted cash is carried in the balance sheet at amortised cost. Restricted cash comprises reserve funds required for financial guarantee contracts and collateral against certain operating leases.

### **2.10. Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **2.11. Borrowings**

#### **(a) Loans**

Obligations for loans are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and

## Notes to the Consolidated Financial Statements – Continued

borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or other cancellation of liabilities are recognised respectively in finance revenue and finance cost.

### *(b) Convertible loan note*

Convertible loan note is separated into liability and equity components based on the terms of issue.

On issuance of the convertible loan note, the fair value of the liability portion is determined by applying a market interest rate for an equivalent non-convertible loan note to the forecast cash flows under the convertible loan note agreement. This amount is recorded as a financial liability on an amortised cost basis until extinguished on conversion or redemption of the loan notes.

The remainder of the proceeds of the loan note is allocated to the conversion option which is recognised and included in shareholders' equity. The value of the conversion option is not changed in subsequent periods.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### *(c) De-recognition of financial liabilities*

A financial liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

## **2.12. Leases**

Lease agreements which transfer to the Group substantially all the risks and rewards of ownership of an asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment and the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. These payments are split between capital and interest elements using the annuity method. The interest element of the lease rental is included in the income statement. Assets held under finance leases are depreciated on a basis consistent with similar owned assets or the lease term if shorter.

All other leases are classified as operating leases. Payments made under operating leases, net of lease incentives or premiums received, are charged to the income statement on a straight-line basis over the period of the lease.

## **2.13. Employee benefits**

### *(a) Pension obligations*

The Group operates a defined contribution plan for its employees. The Group's contributions to this plan are charged to the income statement in the period to which they relate. The Group contributes a sum equal to a proportion of basic salary (currently a maximum of 7%) to a personal defined contribution pension scheme on behalf of each participating employee each month. The Group has no further payment obligations once the contributions have been paid.

## Notes to the Consolidated Financial Statements – Continued

### *(b) Share-based compensation*

Incentives in the form of shares are provided to employees under share option and long-term incentive plans. In accordance with IFRS 2 Share-based Payment, charges for these incentives are expensed through the income statement on a straight-line basis over their vesting period, based on the Group's estimate of shares that will eventually vest. The total amount to be expensed is determined by reference to the fair value of the options or awards at the date they were granted excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of options that are expected to become exercisable or are released.

At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

### *(c) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

### *(d) Holiday pay*

The Group's holiday period runs for each financial year and the Group allows employees to carry over holidays into the next year as long as they are used by 30 September of that year. An accrual is made for any unused holidays at the year end.

### *(e) Profit-sharing and bonus plan*

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## **2.14. Provisions**

Provisions for legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## **2.15. Share capital**

Ordinary shares are classified as equity.

## Notes to the Consolidated Financial Statements – Continued

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares) the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### 2.16. Warrants

The Company does not reclassify a warrant instrument following a change of circumstances which, had it occurred before initial recognition of the warrant instrument, would have changed its classification.

### 2.17. Taxation

#### (a) Current tax

Current tax is the expected tax payable on the taxable income for the year using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date in the countries where the group's branch and subsidiaries operate and generate taxable income, and any adjustment to tax payable in respect of previous years.

#### (b) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### (c) Research and development tax credits/relief

The Group makes claims each year for Research and Development Tax relief. In the past the Group elected to take the cash equivalent amount under the Small/Medium Enterprise ("SME") scheme. Since acquisition by Reliance Life Sciences in 2007, it is not eligible for claiming cash equivalent under the SME scheme and hence has elected for tax loss enhancement for the current year under the large company scheme.

## 3. Financial risk management

### 3.1. Financial risk factors

The Group holds financial instruments to finance its operations and to manage the currency risk that arises from these operations. It is the Group's policy that no speculative trading in financial instruments shall be undertaken. The Group finances its operations through a combination of equity, bridge loans and convertible loan notes as

## Notes to the Consolidated Financial Statements – Continued

disclosed in Note 22: Borrowings. The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk.

### a) Market risk

#### Foreign currency exchange risk

The Group is exposed to movements in foreign exchange rates against the Euro for trading transactions and the translation of net assets, liabilities and expenses of UK entity and subsidiaries. The main trading currencies of the Group are Pound Sterling and the Euro (2008: Pound Sterling and the Euro).

The group has certain minor investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Almost all of the Group's operations are based in Ireland and UK giving rise to exposures to changes in foreign exchange rates between the Euro and the Pound Sterling. To minimise the impact of any fluctuations, the Group's policy has historically been to maintain natural hedges by relating the structure of borrowings to the trading cash flows that generate them.

The aggregate carrying amounts of foreign currency denominated monetary assets and liabilities held by the Group, which are not denominated in their functional currency, as at the reporting date are as follows:

	2009		2008	
	Liabilities	Assets	Liabilities	Assets
	€'000	€'	€'000	€'000
Pound Sterling	(1,666)	£	(51)	-
Euro	-		(192)	-
Chinese Renminbi	-	£	-	254

The Group is mainly exposed to the Pound Sterling. In addition, the Group is exposed to cross currency rates, as operating costs of the UK entity and subsidiaries are often in currencies other than their functional currency.

The following table details the Group's loss before tax sensitivity to a 10% increase and decrease in Euro as at the balance sheet date against the relevant foreign currencies, with all other variables held constant. It includes foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number indicates a strengthening of the relevant currency. For a weakening there would be an equal and opposite impact on the loss, and the balances below would be reversed.

	€/£
€'000	
2009	(129)
2008	11

At 31 March 2009, if the currency had weakened/strengthened by 10% against the Euro with all other variables held constant, loss for the year would have been €121,683 (2008: €11,508) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Pound Sterling denominated 'borrowings'. Loss is more sensitive to movement in currency/Euro exchange rates in 2009 than 2008 because of the depreciation in value of Pound Sterling and US dollar.



## Notes to the Consolidated Financial Statements – Continued

### *Price risk*

The Group is exposed to commodity price risk including labour and material costs. The group addresses the materials price risk through competitive and alternate sourcing strategies. Though the group has little control over the labour price risk, the extent of variation is monitored continuously to assess its impact on budget and product / project costing.

### *Interest rate risk*

The Group borrows at fixed and floating rates of interest as deemed appropriate for its circumstances. All borrowings are at fixed rates, but deposits are at floating rates the Group is therefore exposed to interest rate risk.

The Group's exposure to interest rates on financial assets and liabilities is detailed in Note 22: Borrowings. The sensitivity analysis has been prepared to show the effect of a 1% increase in market interest rates on interest income and expense. For floating rate financial assets the analysis is prepared assuming the amount of asset was outstanding as at 31 March 2009. A 1% decrease would have an equal and opposite effect on the change in loss.

	Effect on loss before tax	
	31 March 2009	31 March 2008
	€'000	€'000
Pound Sterling	2	34
Euro	1	-

### *Credit risk*

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash and other receivable. Cash and cash equivalents present minimal risk. Excess cash is invested in short-term money market instruments, including bank term deposits, money market and liquidity funds. These investments typically bear minimal risk.

The Group's revenue from product sales are likely to be mainly derived from agreements with major pharmaceutical companies and relationships with pharmaceutical wholesale distributors and retail pharmacy chains. However, for the year to 31 March 2009, there was no significant revenue generated from product sales or licensing, so no 'trade receivable' credit risk issue arose. The Group will take positive steps to manage any credit risk associated with future trade account receivable and operates clearly defined credit evaluation procedures.

With respect to credit risk arising from other financial assets in the Group, the maximum exposure is equal to the carrying value of the instrument.

### *b) Liquidity risk*

The Group's policy is to maintain continuity of funding through a mixture of long-term debt and bank loans, raised to cover specific projects, and through the issue of shares to collaborative partners, where necessary, to finance development contracts. Short-term flexibility is provided through the use of bridge loans and bank overdrafts.

As set out in Note 22: Borrowings, the Group has in issue €1.5 million convertible loan note which should have been redeemed at par on 30 August 2008. The Directors have carried out a detailed appraisal of a number of potential approaches to renegotiate or refinance the loan note. The details about how the company plans to continue to operate in future can be found in Note 2.1 under "Going concern".

The maturity of the debt is disclosed in Note 22: Borrowings.

## Notes to the Consolidated Financial Statements – Continued

Management monitors rolling forecasts of the group's liquidity reserve (comprises equity raisings, debenture loan notes and loans) (Financial review in directors report) and cash and cash equivalents (Note 27) on the basis of expected cash flow.

**Forecasted liquidity reserve per 31 March 2009 based on business plan projections is as follows:**

	2010 €'000	2011-2014 €'000
Opening balance for the year	169	119
Operating proceeds	800	112,913
Operating cash outflows	(2,575)	(96,363)
Capital expenditure	(8,159)	-
Financing proceeds	9,884	4,231
Net cash generated from operating activities	119	20,900

### 3.2. Capital risk management

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 22, cash and cash equivalents in Note 27 and capital, reserves and retained losses are disclosed in the 'Consolidated and Company Statement of Changes in Equity' and Note 25. The Group manages its capital to ensure that in the future, the Group will be able to continue as going concern and to ensure the Group has sufficient capital available to meet future funding requirements.

The Group is not subject to any externally imposed capital requirements.

### 3.3. Fair value estimation

The nominal value less estimated credit adjustments of other receivables and trade payables are assumed to approximate to their fair values. The fair value of the liabilities for disclosure purposes is estimated by discounting the future cash flows at the current market interest rates that are available to the Group for similar financial instruments.

At 31 March 2009, the group had 4% convertible loan stock of €1.3 million, which had a carrying value of €1.2 million (2008: €1.3 million). It was not practical to estimate the fair value of the convertible loan stock with sufficient reliability, as the instrument was unique to the Group. Therefore the fair value of the convertible loan note is deemed to be the book value. Further details are shown in Note 22.

## 4. Critical accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The Notes to the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial statements such as intangible assets (Note 16). The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

## Notes to the Consolidated Financial Statements – Continued

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

### 4.1. Intangible assets – development costs

Expenditure on pure and applied research is charged to the income statement in the 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 the criteria as specified in IAS 38 “Intangible assets” summarised in Note 2.6.

Further to meeting these criteria, only such costs that relate solely to the development phase of a self-initiated project are capitalised. Any costs that are classified as part of the research phase of a self-initiated project are expensed as incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project related costs are treated as if they were incurred in the research phase only.

Expenditure on product development is capitalised as an intangible asset and amortised over the expected useful life of the product concerned. Capitalisation commences from the point at which technical feasibility, commercial viability and resource availability of the product can be demonstrated and the group is satisfied that it is probable that future economic benefit will result from the product once completed. Capitalisation ceases when the product is ready for launch.

IAS 38 requires that all development costs meeting specified criteria be capitalised as intangible assets. As part of its IFRS transition project, the Group reviewed all development projects to determine whether the criteria in IAS 38 were met.

The Directors believe that the Group met the recognition criteria stated in IAS 38 “Intangible assets” from 1 September 2007, therefore, €5.4 million (2008: €2.8 million) of development costs incurred during the year have been capitalised as an intangible asset.

Management made a decision to capitalise the expenditure on EPO development from the date of receipt of approval for conducting EPO confirmatory clinical trials in Poland. So from September 2007 all EPO related development costs are capitalised. A total of €5.4 million of EPO development costs incurred during the year have been capitalised as an intangible asset.

All other development costs incurred were expensed as incurred during the year.

#### *Estimated impairment of intangible assets – Development costs*

The Group tests annually whether intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which are derived from business plan projections of the Group. Business plan projections have been worked out using various assumptions which include projected market share of the company's products. These calculations require the use of estimates.

The Group uses a discounted cash flow model to value intangible assets, which requires assumptions about the timing and amount of future cash inflows and outflow risk, the cost of capital and terminal value. Each of these assumptions is significant to the value of the intangible assets. The Group reviews intangible assets for impairment, if there is an indication of impairment or annually if required, in accordance with IAS 36 ‘Impairment of Assets’. A prolonged general economic downturn, new products, sustained government pressure on prices and

## **Notes to the Consolidated Financial Statements – Continued**

specifically, competitive pricing, could create an imbalance of industry supply and demand, or otherwise diminish volumes or profits. Such events, combined with changes in interests, and changes to or the potential delay of the development project to which the intangible asset relates, could adversely affect the Group's valuation of the estimated future net cash flows generated by its intangible assets. As a result, future operating results could be materially and adversely affected by impairment charges related to the recoverability of intangible assets.

In the year to 31 March 2009, there is no change to the estimated future net cash flows from Epostim®.

Even if the estimated Group's pre-tax discount rate applied to the discounted cash flows for Epostim® product had been 15% higher than management's estimates (for example, 25% instead of 10%), with all other variables held constant, the Group would not have to recognise an impairment against intangible assets.

### **4.2. Amortisation lives**

Other intangible assets are recorded at their fair value at acquisition date and are amortised on a straight-line basis over their estimated useful economic lives from the time they are available for use. Any change in the estimated useful economic lives could affect the future results of the Group.

### **4.3. Functional currency**

The Directors consider the suggested factors under IAS 21 that are relevant in determining the functional currency for each individual entity within the Group.

As part of the group's operation restructure, the Company's functional currency has changed to Euro from Pound Sterling for UK operation and remains as Euro for Irish branch. The directors will continue to monitor the changes in underlying economic environments with regard to functional currency in the future.

### **4.4. Share-based payments**

RGMX has historically granted options to the Group's Directors and employees over ordinary shares under two stock option plans.

The Group accounts for share-based compensation in accordance with IFRS 2, 'Share-based Payment'.

The Group measures share-based compensation cost for awards classified as equity at the grant date, based on the estimated fair value of the award, and recognizes the cost as an expense on a straight-line basis (net of estimated forfeitures) over the employee requisite service year. The Group measures share-based compensation cost for awards classified as liabilities at fair value, which is re-measured at the end of each reporting year.

The Group estimates the fair value of share-based awards without market-based performance conditions using a Black-Scholes valuation model and awards with market-based performance conditions are valued using a binomial valuation model.

Several critical assumptions are made in the determination of the Group's share-based compensation cost. The Group believes that the most critical assumptions are the expected life of the award and the weighted average volatility of the Reliance GeneMedix's shares. Other assumptions made by the Group in respect of the determination of share-based compensation cost include the risk free rate, the expected dividend yield and the expected forfeiture rate.

## **Notes to the Consolidated Financial Statements – Continued**

The Group's estimate of the expected life of the award is based on the 'simplified' method and the weighted average volatility is based upon historical share price data of the Company's shares for the requisite expected life of the awards. Given the related nature of each of the assumptions underlying the valuation of share-based payment awards, it would not be meaningful to quantify the sensitivity to change for each individual assumption.

The Group believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in estimating the fair values of Reliance GeneMedix's share-based payment awards. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Group under IFRS 2.

### **4.5. Fair value of financial instrument**

The Directors use judgement in selecting an appropriate valuation technique for financial instruments not quoted in an equity market. Financial instruments have been valued using a discounted cash flow analysis. This valuation requires the Group to make estimates of expected future cash flows and discount rates, which are subject to uncertainty. The amounts are disclosed in Note 22.

### **4.6. Contingency and commitments**

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Group.

Where the potential liabilities are not probable or are very difficult to quantify reliably, the Group treat them as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, the Directors do not expect them to have a materially adverse impact on the Group's financial position or profitability.

Further details are included in Note 29.

### **4.7. Deferred income tax**

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, significant judgement is used when in assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income together with any future tax planning strategies.

## Notes to the Consolidated Financial Statements – Continued

### 5. Segmental information

The Group's primary segment for IFRS segment reporting is the business segment. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Geographical regions are the secondary reporting segments. A geographic segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of components operating in other economic environments.

The Directors are of the opinion that under IAS 14 – 'Segmental Information' the Group has only one business segment, being drug development and there was turnover of € 0.608 million in the year to 31 March 2009 ( nil in 2008).

The Group's geographical segments are determined by location of operations. The Group's activities are UK and Ireland based, hence there are two geographical segments. Accordingly, segmental geographic information is set out below:

	Year ended 31 Mar 2009			Year ended 31 Mar 2008 (Restated)		
	UK €'000	Ireland €'000	Total €'000	UK €'000	Ireland €'000	Total €'000
Revenue*	-	608	608	-	-	-
Cost of sales**	-	(608)	(608)	-	-	-
Operating profit	-	-	-	-	-	-
Research and development costs	-	(423)	(423)	(1,488)	(1,810)	(3,298)
Administrative expenses	(393)	(3,198)	(3,591)	(1,533)	(2,689)	(4,222)
Segment loss for the year	(393)	(3,621)	(4,014)	(3,021)	(4,499)	(7,520)
<b>Other information</b>						
Depreciation	129	872	1,001	131	859	990
Amortisation	3	-	3	3	-	3
Impairment	-	-	-	68	-	68
<b>Balance Sheet</b>						
Total assets	1,024	12,513	13,537	4,324	8,028	12,352
Total liabilities	1,787	1,757	3,544	1,909	1,520	3,429
Capital expenditure	-	5,728	5,728	232	3,028	3,260

\* The group has only EPO product sales during the year and the customer is based in India.

\*\* During the year, EPO was successfully launched in the Indian market. In order to penetrate the market quickly and build a market share, EPO was introduced at an attractive price which reflects the current competitiveness of the Indian market.

## Notes to the Consolidated Financial Statements – Continued

### 6. Finance income

	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 €'000
<i>Interest revenue</i>		
Bank deposits	34	477

### 7. Finance costs

	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 €'000
<i>Interest payable</i>		
Bank interest payable	(1)	-
Convertible debenture interest payable	(84)	(142)
	<u>(85)</u>	<u>(142)</u>

### 8. Other income

	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 €'000
<i>Other income</i>		
Loan interest waived (Note 22)	-	24
4% Debenture loan note interest waived (Note 22)	-	33
Other interest waived*	-	2
	<u>-</u>	<u>59</u>

\* Other interest waived is related to the interest charge on late supplier's payment in prior year. After negotiation, the supplier agreed to waive some interest charge.

### 9. Expense by nature

	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 €'000
Changes in inventories of finished goods (Note 19)	127	329
Raw materials and consumables used in research and development	12	229
Employee benefit expense (Note 12)	1,104	2,094
Depreciation, amortisation and impairment charges (Note 16 and 17)	1,002	1,061
Research and non-capitalised development costs	411	2,093
Operating lease payments (Note 12)	277	373
Other expenses	1,081	1,341
Total Operating expenses	<u>4,014</u>	<u>7,520</u>

## Notes to the Consolidated Financial Statements – Continued

### 10. Employee, directors and key management

#### Employees

The average number of persons (including Executive Directors) employed by the Group during the year was:

	Year ended 31 Mar 2009 Number	Year ended 31 Mar 2008 Number
By activities		
Research and development	40	30
Administration	15	17
	<b>55</b>	<b>47</b>

Aggregate remuneration of Directors:

	€'000	€'000
Emoluments	118	268
Post-employment benefits* (Note 11)	-	19
Termination payments	-	149
	<b>118</b>	<b>436</b>

\*There are no post-employment benefits accruing to any executive director (2008: one) under a defined contribution scheme.

No fees were payable to third parties in respect of Directors' services for either year.

The above amounts for remuneration include the following in respect to the highest paid director:

	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 €'000
Emoluments	90	178
Post-employment benefits (Note 11)	-	17
Termination payments	-	149
	<b>90</b>	<b>344</b>

Aggregate remuneration of key management:

	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 €'000
Emoluments	396	522
Post-employment benefits (Note 11)	18	37
Termination payments	-	190
Share-based payments	-	2
	<b>414</b>	<b>751</b>

The key management figures given above include Executive and Non-Executive Directors.



## Notes to the Consolidated Financial Statements – Continued

### 11. Post-employment benefits

The Group operates a defined contribution Group personal pension scheme for employees and Executive Directors. The total pension cost for the Group was €126,579 (2008: €132,299). The outstanding pension contributions as at 31 March 2009 were €23,393 (2008: €1,225).

### 12. Loss for the year

Loss for the year has been arrived at after charging:

	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 €'000
Staff costs:		
- Wages and salaries	2,454	2,456
- Equity-settled share-based payments	1	7
- Social security costs	252	130
- Post employment benefit – defined contribution plans	127	132
- Termination benefits	134	186
- Other benefits	33	23
	<b>3,001</b>	<b>2,934</b>
Less Development payroll costs capitalised as intangible assets	<b>(1,897)</b>	<b>(893)</b>
	<b>1,104</b>	<b>2,041</b>

#### *Services provided by the Group's auditors and network firms*

It is the Group's policy to employ the auditors on assignments additional to their statutory audit duties where their expertise and experience with the Group are important, principally tax advice and as reporting accountants on significant transactions, or where they are awarded assignments on a competitive basis. During the year the Group obtained the following services from the Group's auditors at costs detailed below:

	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 €'000
<i>Services provided by Group's auditors</i>		
Auditors' remuneration for audit services		
- Auditors' fees	66	50
- All other services pursuant to legislation	5	9
Total Auditors' remuneration	<b>71</b>	<b>59</b>

## Notes to the Consolidated Financial Statements – Continued

### 12. Loss for the year (continued)

	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 €'000
Depreciation of property, plant and equipment (Note 17)		
- Owned assets	999	990
Impairment of intangible assets (Note 16)		
- Licence fee	-	68
Amortisation of intangible assets (Note 16)		
- Know-how	3	3
Total depreciation and amortisation expense	<u>1,002</u>	<u>1,061</u>
	€'000	€'000
Operating lease rental:		
- Property, plant and equipment	268	355
- Others	9	18
	<u>277</u>	<u>373</u>

### 13. Income tax

	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 Restated €'000
Current tax	-	-
Deferred tax asset recognised	1,297	433
	<u>1,297</u>	<u>433</u>

There are tax losses available to be carried forward at 31 March 2009 subject to the agreement of the HM Revenue & Customs. The losses are attributable to the parent company and the Ireland branch.

## Notes to the Consolidated Financial Statements – Continued

### 13. Income tax (continued)

The tax on the Group's losses before tax differs from the theoretical amount that would arise using the standard

	Year ended 31 Mar 2009	Year ended 31 Mar 2008 Restated
	€'000	€'000
Loss for the financial year	(4,065)	(7,126)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 28% (2008: 30%)	(1,138)	(2,138)
Effects of:		
Expenses not deductible for tax purposes	1	6
Research & development tax relief	(1,608)	(835)
Loss carried forward	2,856	2,923
Deferred tax asset arising on losses carried forward	1,297	433
Difference between capital allowances and depreciation	(111)	44
Tax on loss on ordinary activities	1,297	433

#### Deferred tax

The Group has tax losses carried forward at the balance sheet date, which have been recognised as deferred tax assets. On the basis of projections it is considered probable that sufficient taxable profits will be available to enable the deferred tax asset to be recovered.

	Year ended 31 Mar 2009	Year ended 31 Mar 2008 Restated
	€'000	€'000
Opening Balance at 1 April	433	-
Recognised during the year	1,297	433
Closing Balance at 31 March	1,730	433

### 14. Loss of holding company

Of the loss for the financial year, a deficit of €2,768,044 (2008: a loss (as restated) of €6,692,865) is dealt with in the accounts of Reliance GeneMedix plc. As per section 230 of the Companies Act 1985 the directors have presented a profit and loss account on a consolidated basis only and not for the Company alone. The consolidated loss and the Company loss did not differ from one another in either year.

### 15. Loss per ordinary 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.

## **Notes to the Consolidated Financial Statements – Continued**

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 23 for details) and the contingently issuable shares attached to the convertible debentures (see Note 22 for details). Diluted loss per share is equal to basic loss per share as potential ordinary shares are not treated as dilutive since their conversion would not increase loss per share from continuing operations in accordance with IAS 33.

## Notes to the Consolidated Financial Statements – Continued

### 15. Loss per ordinary share (continued)

	Year ended 31 Mar 2009 Cent	Year ended 31 Mar 2008 Restated Cent
<b>Loss per share</b>		
From continuing and discontinued operations:		
- Basic (per share)	1.8	4.3
- Diluted (per share)	1.8	4.3
From continuing operations:		
- Basic (per share)	1.8	4.3
- Diluted (per share)	1.8	4.3
The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:		

	Basic and diluted	
	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 Restated €'000
Loss for the year	2,768	6,693
Loss used in the calculation of total basic loss per share	2,768	6,693
The Group has no dilutive potential ordinary shares in issue because it is loss making.		

	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares		
For basic and diluted loss per share	155,718	155,718

The loss used in the calculation of all diluted loss per share measures are the same as those for the equivalent basic loss per share measures, as outline above.

The following potential additional ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted loss per share:

	Basic and diluted	
	Year ended 31 Mar 2009 '000	Year ended 31 Mar 2008 '000
Employee options (Note 24)	85	90
Convertible loan notes (Note 22)	2,190	2,190
Share warrants (Note 23)	142,440	142,657
	144,715	144,937

## Notes to the Consolidated Financial Statements – Continued

### 16. Intangible assets

<i>Group and Company</i>	Know-how €'000	Licence fee €'000	R&D costs <sup>1</sup> €'000	Total €'000
<b>As 1 April 2007</b>				
Cost	48	81	-	129
Accumulated amortisation	(14)	(13)	-	(27)
<b>Net book amount</b>	<b>34</b>	<b>68</b>	<b>-</b>	<b>102</b>
<b>Year ended 31 March 2008</b>				
Opening net book amount	34	68	-	102
Additions	-	-	2,809	2,809
Impairment charge <sup>2</sup> (Note 9 and 12)	-	(68)	-	(68)
Amortisation charge <sup>3</sup> (Note 9 and 12)	(3)	-	-	(3)
<b>Closing net book amount</b>	<b>31</b>	<b>-</b>	<b>2,809</b>	<b>2,840</b>
<b>At 31 March 2008</b>				
Cost	48	81	2,809	2,938
Accumulated amortisation and impairment	(17)	(81)	-	(98)
<b>Net book amount</b>	<b>31</b>	<b>-</b>	<b>2,809</b>	<b>2,840</b>
<b>Year ended 31 March 2009</b>				
Opening net book amount	31	-	2,809	2,840
Additions	-	-	5,409	5,409
Amortisation charge <sup>3</sup> (Note 9 and 12)	(3)	-	-	(3)
<b>Closing net book amount</b>	<b>28</b>	<b>-</b>	<b>8,218</b>	<b>8,246</b>
<b>At 31 March 2009</b>				
Cost	48	81	8,218	8,347
Accumulated amortisation and impairment	(20)	(81)	-	(101)
<b>Net book amount</b>	<b>28</b>	<b>-</b>	<b>8,218</b>	<b>8,246</b>

<sup>1</sup> The Company capitalised development costs in the amount of €5.4 million for the year (2008: €2.8 million) as an internally generated intangible asset for EPO programmes. The amount of €0.4 million (2008: €3.3 million) was recognised as Research and non-capitalised development cost and charged to operating expenses in the income statement. Further details are shown in Note 4.1.

<sup>2</sup> The licence fee impairment is related to the termination of the G-CSF licence deal with CJ Pharma in Korea.

<sup>3</sup> Amortisation of €3,183 (2008: €2,789) is included in the 'administrative expenses' in the income statement.

<sup>4</sup> There are no intangible assets with indefinite useful lives. All amortisation charges in the year have been charged through Administrative expenses.

## Notes to the Consolidated Financial Statements – Continued

### 17. Property, plant and equipment

<i>Group and Company</i>	Leasehold improvements / land and buildings €'000	Office equipment €'000	Fixtures and fittings €'000	Plant and machinery €'000	Total €'000
<b>As 1 April 2007</b>					
Cost	-	191	325	8,405	8,921
Accumulated depreciation and impairment	-	(111)	(130)	(3,940)	(4,181)
<b>Net book amount</b>	<b>-</b>	<b>80</b>	<b>195</b>	<b>4,465</b>	<b>4,740</b>
<b>Year ended 31 March 2008</b>					
Opening net book amount	-	80	195	4,465	4,740
Reclassification <sup>2</sup>	2,489	267	(122)	(2,634)	-
Additions	292	49	15	95	451
Depreciation charge <sup>1</sup> (Note 9 and 12)	(538)	(122)	(16)	(314)	(990)
<b>Closing net book amount</b>	<b>2,243</b>	<b>274</b>	<b>72</b>	<b>1,612</b>	<b>4,201</b>
<b>At 31 March 2008</b>					
Cost	4,946	735	147	3,545	9,373
Accumulated depreciation and impairment	(2,703)	(461)	(75)	(1,933)	(5,172)
<b>Net book amount</b>	<b>2,243</b>	<b>274</b>	<b>72</b>	<b>1,612</b>	<b>4,201</b>
<b>Year ended 31 March 2009</b>					
Opening net book amount	2,243	274	72	1,612	4,201
Additions	61	53	67	138	319
Depreciation charge <sup>1</sup> (Note 9 and 12)	(480)	(130)	(19)	(370)	(999)
<b>Closing net book amount</b>	<b>1,824</b>	<b>197</b>	<b>120</b>	<b>1,380</b>	<b>3,521</b>
<b>At 31 March 2009</b>					
Cost	5,007	788	214	3,683	9,692
Accumulated depreciation and impairment	(3,183)	(591)	(94)	(2,303)	(6,171)
<b>Net book amount</b>	<b>1,824</b>	<b>197</b>	<b>120</b>	<b>1,380</b>	<b>3,521</b>

<sup>1</sup> Depreciation expense of €999,238 (2008: €989,991) has been charged in Administrative expenses in the Company's income statement.

<sup>2</sup> During 2008, the Group decided to re-classify tangible assets for internal management purpose.

There is no lease rental expense relating to the lease of plant, machinery and equipment included in the income statement (Note 12).

## Notes to the Consolidated Financial Statements – Continued

### 18. Investment in subsidiaries

	31 Mar 2009 €'000
<i>Company</i>	
<b>As at 1 April 2007</b>	
Cost	-
Accumulated amortisation and impairment	-
<b>Net book amount</b>	-
<b>Year ended 31 March 2008</b>	
Opening net book amount	-
Acquisition of subsidiary <sup>1</sup>	10
<b>Closing net book amount</b>	10
<b>As at 31 March 2008</b>	
Cost	10
Accumulated amortisation and impairment	-
<b>Net book amount</b>	10
<b>Year ended 31 March 2009</b>	
Opening net book amount	10
Acquisition of subsidiary	-
<b>Closing net book amount</b>	10
<b>As at 31 March 2009</b>	
Cost	10
Accumulated amortisation and impairment	-
<b>Net book amount</b>	10

<sup>1</sup> Acquisition of 99% shareholding (Class A shares) of voting shares of BioMetrix Marketing Private Limited.

#### *Principal group investments*

The parent company has investments in the following subsidiary undertakings

- a) GeneMedix Ireland Limited incorporated in Ireland with 50% ordinary shareholding. The company is not operational.
- b) Biometrix Marketing Private Limited incorporated in Singapore with 99% of voting shares ownership (99% of Class A shares – that confers right to vote, dividend, and return of capital upon liquidation, to the extent available, with no right to participate in the surplus assets, if any). Specific objective of the company is to engage in marketing, distribution and sale of all or any of biological, chemical, biochemical, pharmaceutical, pharmacological, medicinal, and related products. The accounts of Biometrix Marketing Private Limited are not consolidated with Group accounts in accordance with paragraphs 13, 14 and 15 of IAS 27.



## Notes to the Consolidated Financial Statements – Continued

### 19. Inventories

	Group		Company	
	31 Mar 2009	31 Mar 2008	31 Mar 2009	31 Mar 2008
	€'000	€'000	€'000	€'000
Finished goods – bulk	367	235	367	235
Raw materials and consumables	280	285	280	285
	<b>647</b>	<b>520</b>	<b>647</b>	<b>520</b>

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

### 20. Trade and other receivables

	Group		Company	
	31 Mar 2009	31 Mar 2008	31 Mar 2009	31 Mar 2008
	€'000	€'000	€'000	€'000
Trade receivables	175	-	175	-
Amount due on disposal of subsidiary*	202	227	202	227
Other receivables	307	266	307	266
Prepayments	84	775	84	775
	<b>768</b>	<b>1,268</b>	<b>768</b>	<b>1,268</b>

Trade receivables are non-interest bearing and are generally on up to 30 day terms.

As at 31 March 2009, no impairment is provided for trade receivables, as the directors believe that full amount will be recovered.

The Group considers that the carrying amount of other receivables approximates their fair value.

\*Amount due on disposal of subsidiary and other receivables are not past due and are not impaired and will be received in full.

As at 31 March 2009, the aged analysis of trade receivables was as follows.

	Total	Neither past due nor impaired	<30 days	Past due but not impaired 30 – 60 days
<i>Group and Company</i>	€'000	€'000	€'000	€'000
<b>2009</b>	<b>175</b>	-	-	<b>175</b>
<b>2008</b>	-	-	-	-

## Notes to the Consolidated Financial Statements – Continued

### 21. Trade and other payables

	Group		Company	
	31 Mar 2009	31 Mar 2008	31 Mar 2009	31 Mar 2008
	€'000	€'000	€'000	€'000
Trade payables	1,712	1,306	1,712	1,306
Other payables	400	441	400	441
Accruals	215	353	215	353
Interest accrued on 4% convertible loan note	185	156	185	156
	<b>2,512</b>	<b>2,256</b>	<b>2,512</b>	<b>2,256</b>

The Group considers that the carrying amount of trade and other payables approximates their fair value.

Terms and conditions of the above financial liabilities: Trade payables are non-interest bearing and are settled in accordance with the terms and conditions agreed with suppliers, subject to those terms and conditions being fulfilled by the supplier. The average credit period on purchase of goods and service is 70 days (2008: 53 days). No interest charged on the trade payables for the first 60 days from the date of the invoice.

### 22. Borrowings

	Group		Company	
	31 Mar 2009	31 Mar 2008	31 Mar 2009	31 Mar 2008
	€'000	€'000	€'000	€'000
<b>Current</b>				
4% convertible loan note due 2008 – transferred from non-current liabilities*	1,687	1,687	1,687	1,687
Equity component	(437)	(437)	(437)	(437)
Currency translation difference	(324)	(155)	(324)	(155)
Amortisation cost	106	78	106	78
	<b>1,032</b>	<b>1,173</b>	<b>1,032</b>	<b>1,173</b>

\* The Company is in discussion with the note holder with regard to settlement and / or conversion of 4% €1.7 million (denominated in sterling for the amount of £ 1,177,442). The loan note was due in August 2008 and therefore has been included in current borrowings at 31 March 2008 and at 31 March 2009. The equity component of €436,918 has been credited to Capital reserve – see Note 25.

## Notes to the Consolidated Financial Statements – Continued

### 22. Borrowing (continued)

The following tables detail the Group's remaining contractual maturity for its borrowings. As required by IFRS 7, the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

#### *Maturity analysis of borrowings*

<b>As at 31 March 2009</b>	<b>Less than 3 months €'000</b>	<b>Between 3-12 months €'000</b>	<b>Between 1-2 years €'000</b>	<b>Greater than 2 years €'000</b>	<b>Total €'000</b>
4% Convertible loan note*	1,450	-	-	-	1,450
<b>Total borrowings</b>	<b>1,450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,450</b>
<b>As at 31 March 2008</b>					
4% Convertible loan note*	-	1,659	-	-	1,659
<b>Total borrowings</b>	<b>-</b>	<b>1,659</b>	<b>-</b>	<b>-</b>	<b>1,659</b>

\* The Company is in discussion with the note holder with regard to settlement and / or conversion of 4% €1,265,550 (denominated in sterling for the amount of £1,177,442), which fell due at 31 August 2008.

The interest charged of the convertible loan note for the year is calculated by applying an effective interest rate of 10%. The liability component is measured at amortised cost. The difference between the carrying amount of the liabilities €1.3 million (£1,058,812) at 31 March 2008 and the amount reported in the balance sheet at 31 March 2009 €1.2 million (£1,132,671) represents the effective interest rate, plus the movement on currency translation difference, less interest paid to that date.

#### *Currency analysis of borrowings*

All borrowings are denominated in Pound Sterling for current year and prior year.

#### *Interest rate analysis – effective rates*

	<b>31 Mar 2009</b>	<b>31 Mar 2008</b>
Currency in Pound Sterling	%	%
4% convertible loan note*	10	10

\* 4% convertible loan note carries a weighted effective interest rate of 10%.

## Notes to the Consolidated Financial Statements – Continued

### 22. Borrowing (continued)

#### *Fair value*

The following table details the carrying amount of non-current liabilities, compared with the fair value.

	31 Mar 2009		31 Mar 2008	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
4% Convertible loan note*	-	-	-	-
	-	-	-	-

\* The convertible loan note was due on 30 August 2008, and is classified as a current borrowing as at 31 March 2009 and 2008.

At 31 March 2009 and 2008 the carrying value of financial assets and all other financial liabilities is approximate to fair value.

### 23. Share capital and premium

#### *Authorised*

The share capital of the Company is denominated in Pounds Sterling and the number of new shares issued is based on the cash receipt equivalent in Pounds Sterling. The nominal ordinary share price is translated to € at the balance sheet rate for presentation purposes.

The authorised share capital of the Company and the called-up and fully-paid amounts were as follows:

	Number of shares '000	Ordinary shares €'000	Share premium €'000	Total €'000
As at 1 April 2008 (€0.14/£0.10 per share)	155,718	22,305	39,538	61,843
As at 31 March 2008 (€0.13/£0.10 per share)	155,718	22,305	39,538	61,843
<b>As at 31 March 2009 (€0.11/£0.10 per share)</b>	<b>155,718</b>	<b>22,305</b>	<b>39,538</b>	<b>61,843</b>

The total authorised number of ordinary shares is 302 million shares (2008: 302 million shares) with a par value of €0.11 /£0.10 per share (2008: €0.13/£0.10 per share). All issued shares are fully paid.

#### *Share 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 €0.11 /£0.125 per ordinary share for some or all of the warrant shares during a five-year period.

The Company does not reclassify an instrument following a change of circumstances which, had it occurred before initial recognition of the instrument, would have changed its classification.

#### *Shares to be issued*

During the year, RLS has subscribed in cash at a price of €0.134 (£0.125) per ordinary share for the total amount of €5,134,299 (£4,347,129) for some of the warrant shares. The said shares will be issued by 31 December 2009.

## Notes to the Consolidated Financial Statements – Continued

### 24. 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 Apr 2008 number after consolidation	Number of options forfeited	Number of options granted	Number of options exercised	31 Mar 2009 number	Exercise Price €	Latest exercise date
10,000	-	-	-	10,000	10.43	21/05/2011
10,000	-	-	-	10,000	4.25	12/11/2011
4,500	-	-	-	4,500	4.94	17/12/2011
4,500	-	-	-	4,500	5.11	04/01/2012 to 07/01/2012
2,500	-	-	-	2,500	4.68	08/04/2012
3,500	-	-	-	3,500	4.73	22/04/2012
4,500	-	-	-	4,500	2.58	22/07/2012
4,500	-	-	-	4,500	1.93	06/08/2012 to 02/12/2012
3,500	-	-	-	3,500	1.34	12/11/2013
3,500	-	-	-	3,500	1.40	10/11/2013
2,000	-	-	-	2,000	1.64	01/03/2014 to 13/07/2014
3,500	-	-	-	3,500	1.45	23/08/2014
17,500	-	-	-	17,500	1.21	23/11/2014
3,000	-	-	-	3,000	1.07	12/07/2015
4,000	-	-	-	4,000	0.99	12/07/2015
5,000	(5,000)	-	-	-	0.84	12/07/2015
3,500	-	-	-	3,500	0.49	17/10/2015
<b>89,500</b>	<b>(5,000)</b>	<b>-</b>	<b>-</b>	<b>84,500</b>		

## Notes to the Consolidated Financial Statements – Continued

### 24. Share-based payments (continued)

#### *Equity-settled share-based payments*

#### **Employee Share Option Plan**

	31 Mar 2009		31 Mar 2008	
	Number of options	WAEP* €	Number of options	WAEP* €
<b>At the beginning of the year</b>	<b>45,500</b>	<b>1.34</b>	<b>356,000</b>	<b>1.13</b>
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options forfeited	(5,000)	(0.84)	(310,500)	(0.94)
<b>At the end of the year</b>	<b>40,500</b>	<b>1.19</b>	<b>45,500</b>	<b>1.34</b>
Range of exercise prices €	0.49 to 1.64		0.57 to 1.91	
<b>Options exercisable at the end of year</b>	<b>40,500</b>		<b>34,700</b>	

\* weighted average exercise price

The options outstanding at 31 March 2009 had a weighted average exercise price of €1.19, and a weighted average remaining contractual life of 5.6 years (2008: 6.7 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.

	Year ended 31	Year ended 31 Mar 2008
Weighted average share price (€)	1.19	1.34
Weighted average exercise price (€)	1.19	1.34
Expected volatility (%)	82%	87%
Expected life (years)	10	10
Risk-free interest rate (%)	3.3%	4.5%
Expected dividend yield (%)	None	None
Weighted average fair value of shares (€)	0.99	1.16

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 €6,546 and €941 related to equity-settled share-based payment transactions for the year ended 31 March 2008 and year ended 31 March 2009 respectively.

## Notes to the Consolidated Financial Statements – Continued

### 25. Other reserves

<i>Group and Company</i>	Capital reserve <sup>i)</sup> €'000	Warrant reserve <sup>ii)</sup> €'000	Exchange reserve <sup>iii)</sup> €'000	Total other reserves €'000
Balance at 1 April 2007	437	4,183	-	4,620
Currency translation difference		-	(643)	(643)
Balance at 31 March 2008	437	4,183	(643)	3,977
<b>Balance at 31 March 2009</b>	<b>437</b>	<b>4,183</b>	<b>(643)</b>	<b>3,977</b>

i) Capital reserve is the equity element of convertible loan notes issued by the Company.

ii) Warrant reserve is the fair value of share warrant issued by the Company.

iii) Exchange reserve represents the cumulative foreign currency translation difference of the Group.

### 26. Cash flow from operating activities

<i>Group and Company</i>	Year ended 31 Mar 2009 €'000	Year ended 31 Mar 2008 €'000
Loss for the year	(2,768)	(6,693)
Adjustments for:		
Finance costs	85	142
Investment revenues	(34)	(477)
Other financial income	-	(59)
Depreciation of property, plant and equipment	999	990
Deferred Tax	(1,297)	(433)
Impairment of acquired intellectual property rights	-	68
Amortisation of intangible assets	3	3
Share-based payments	1	7
<b>Operating cash flows before movement in working capital</b>	<b>(3,011)</b>	<b>(6,452)</b>
Increase in inventories	(126)	(329)
Decrease/(increase) in trade and other receivables	600	(154)
Increase/(decrease) in trade and other payables	31	(638)
<b>Cash used in operations</b>	<b>(2,506)</b>	<b>(7,573)</b>
Interest paid	(1)	(4)
<b>Net cash used in operations</b>	<b>(2,507)</b>	<b>(7,577)</b>

## Notes to the Consolidated Financial Statements – Continued

### 27. Cash and cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the cash requirements of the Group and earn interest at the respective short-term deposit rate. The carrying amount of these assets approximates their fair value as at the Balance Sheet date.

For the purpose of the cash flow statement, cash and cash equivalents are 'cash at hand and in bank'. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	31 Mar 2009 €'000	31 Mar 2008 €'000
Restricted cash (Note 2.9)	176	203
Cash at hand and in bank	169	3,309
	<b>345</b>	<b>3,512</b>

### 28. Commitments

The Group leases property and office equipments under operating leases. The Group has sub-leased property to a third party. The rents payable under lease and receivable under sub-lease are subject to renegotiation at various intervals specified in the leases/sub-leases. The Group pays for substantially all of the insurance and maintenance and repair of these assets.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Equipment		Buildings	
	31 Mar 2009 €'000	31 Mar 2008 €'000	31 Mar 2009 €'000	31 Mar 2008 €'000
No later than 1 year	2	4	30	-
Later than 1 year and no later than 5 years	-	15	(119)	70
Later than 5 years	-	-	2,960	3,438
	<b>2</b>	<b>19</b>	<b>2,871</b>	<b>3,508</b>

In addition, the Group has committed to undertake certain clinical trials on behalf of its partners under development and licensing agreements. The Group is committed to make certain payments to third parties contingent upon future events such as the approval and launch of products. Estimated amount of such committed payments is €5.8 million; however such amount will vary depending on progress of the development programme.

### 29. Contingencies

The Company terminated its secondary manufacturing agreement with Gland Pharma Limited and has asked Gland to return the Lyophiliser that was installed at Gland Pharma as a part of the agreement. Since Gland has rejected the request, the company has taken up the matter to Arbitration in Hyderabad, India. The company has made a claim and Gland has made a counter-claim for consequential losses as a result of termination of secondary manufacturing agreement. The company expects to obtain a favourable ruling for possession of the equipment. In view of the present status of arbitration case, management does not consider it practical to estimate the liability amount in the said case.



**30. Related party transactions**

The immediate parent and ultimate controlling party respectively of the Group are Reliance Life Sciences B.V (incorporated in Netherland) and Reliance Life Sciences Private Limited (incorporated in India).

Transactions between the Company and its consolidated subsidiary, which is a related party of the Company, have been eliminated on consolidation and are not disclosed in this note. .

*Trading transactions*

During the year, group entities made sales of EPO worth € 607,720 to Reliance Biopharmaceuticals Private Limited, India, a subsidiary of Reliance Life Sciences Private Limited. The balance due from Reliance Biopharmaceuticals Private Limited, India as on 31 March 2009 is € 174,753

During the year, clinical research services worth € 105,153 were received from Reliance Clinical Research Services Private Limited, India, a subsidiary of Reliance Life Sciences Private Limited. The balance due to Reliance Clinical Research Services Private Limited, India as on 31 March 2009 is € 102,254

*Loans from related parties*

There is no loan outstanding as at the date of this report.

**31. Ultimate parent undertaking**

The ultimate parent company of Reliance 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 Reliance GeneMedix Plc are drawn up. These financial statements are not publicly available.

**32. Post balance sheet event**

There is no other event after 31 March 2009 that requires disclosure or adjustment to these financial statements, other than certain non-adjusting events set out in the directors report.

**33. Approval of financial statements**

The financial statements were approved by the board of directors and authorised for issue on 24 August 2009.

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