

GeneMedix Plc

Annual report and financial statements
for twelve months ended 31 March 2008

Registered number 03467317

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Chief Executive Officer's statement

Background

GeneMedix plc ("Company") 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 of a portfolio of recombinant therapeutic proteins. Its current focus is in developing and marketing biosimilars in global markets.

Business overview

I am pleased to present the results for the past financial year, during which the Company has achieved considerable progress on its development programme for Erythropoietin (EPO). The Company continues to obtain positive results at each stage of the development programme and is producing a high quality product at its facility in Tullamore, Ireland. During the year, the Company received a commercial manufacturing license for EPO. The Company also received approval to conduct clinical trials in the EU and the clinical trials are progressing in accordance with the plan. GeneMedix has also finalised its strategy for our Granulocyte Colony Stimulating Factor (G-CSF) programme, with a view to manufacturing clinical lots and initiating clinical development in EU in the coming year. G-CSF will be our second biosimilar product.

This period has been dominated by an intensive and well structured integration programme, whereby the Company's operations were consolidated at Tullamore, Ireland and various programmes have been initiated to maximise the benefits of the relationship with the parent organisation, Reliance Life Sciences Private Limited and its affiliates. It is the view of the directors that the Company will benefit immensely from this programme and advance at a faster pace towards its objective of bringing a portfolio of biosimilar products to the EU market. With the closure of Newmarket, UK office, and the consolidation of all operations at Tullamore, Ireland, the senior management of the Company has been able to direct its efforts towards product development, clinical development and manufacturing programmes.

Financial review

Operating losses of £5.5 million for the period are in line with GeneMedix's budgets and reflect planned expenditure. The Company exercised a strict control on expenditure during the period and will continue to focus on achieving commercial efficacy in the medium term. There were no revenues earned during the period.

The Company has capitalised development expenditure of £2.1 million incurred on EPO development programme, post receipt of clinical trial approval in September 2007. The level of current assets and liabilities is in line with the activities of the Company.

The entire expenditure incurred during the year was financed through equity investment of Reliance Life Sciences, received at the end of last year. We will have sufficient cash based on current projections for a minimum of next

twelve months, based on the exercise of the outstanding warrants by Reliance Life Sciences. The total warrant amount of £17.5 million is 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 Company's current programmes and at least one additional product through to launch in the European market.

Board changes

A significant change in the board has been the appointment of Dr R. A. Mashelkar as Non-Executive chairman. Dr Mashelkar, aged 64, is an eminent scientist with an outstanding academic record and has held a number of high profile positions in the field of science and technology. Dr Mashelkar has already started making significant contributions towards the Company's strategy and future plans.

Dr Mashelkar replaces Dr Kim Tan, a co-founder of GeneMedix, who steps down from the Board. GeneMedix expresses its sincere gratitude for his invaluable contribution and guidance in bringing the Company to its current stage and wishes him well for the future.

Employee commitment

I would like to thank the staff of GeneMedix for their hard work and commitment. Their competence and efforts have helped the Company achieve major milestones in the current year. We look forward to their continued commitment in the future. The board is committed to implement programmes for training and rewarding employees to motivate them to excel their performance.

Finally, I, Vinay Ranade, was appointed as the Company's CEO on 1st January 2008 and would I am committed to driving the Company in its pursuit of becoming a large biopharmaceutical company.



Vinay Ranade

Chief Executive Officer

5 September 2008

Directors, Secretary and Advisors

Non-Executive Directors

Dr R. A Mashelkar – Non Executive Chairman

Dr R A Mashelkar 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 the Indian National Science Academy (INSA) and President of Global Research Alliance, a network of publicly funded R&D institutes from Asia Pacific, Europe and USA with over 60,000 scientists. Prior to this he served as Director General of Council of Scientific and Industrial Research (CSIR). Dr Mashelkar has 26 honorary doctorates and is the only third engineer to have been elected as Fellow of Royal Society (FRS) London in the twentieth Century.

Mr Rajendra Lodha – Non executive director

Mr Lodha has served for 40 years (1964-2004) as a Senior Partner of M/s Lodha & Co., Chartered Accountants, having offices at New Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad and Jaipur. He was the President of Federation of Indian Chambers of Commerce & Industry (FICCI), the Apex Chamber of India in its Platinum Jubilee Year 2002.

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

Mr Atul Dayal – Non executive director

Mr 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 49, 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 Gerhard Klement – Executive director

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

Mr Vinay Ranade – Chief executive officer

Mr Ranade, aged 40, was appointed as CEO of the Company from 1st 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.

Secretary	Vinay Ranade
Registered office	Tower 42, 20 th floor # 25 Old Broad Street London EC2N1HQ
Plant and Administration Office	IDA Business and Technology Park Sragh, Tullamore, Co Offaly Ireland
Registered number	03467317
AIM Nominated adviser	Deloitte & Touche LLP Athene Place, 66 Shoe Lane, London EC4A 3BQ
AIM Nominated Broker	The Share Centre Oxford House, Oxford Road, Aylesbury Bucks HP21 8SZ
Registrars	SLC Registrars Thames House Portsmouth road Esher, Surrey KT10 9AD
Auditors	PricewaterhouseCoopers One Spencer Dock North Wall Quay Dublin 1, 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 2008. The comparative period is for the 16 months period ended on 31st March 2007.

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 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.

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 market, mainly the EU.

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 Company can gain.

Key performance indicators (KPIs)

Research and development costs including those capitalized during the year, increased substantially, by 65% based on a proportionate comparison of research and development costs between the year ended 31 March 2008 and 16 months ended 31 March 2007. This indicates major achievements of the Group in its product development programmes.

The directors believe that adding new biosimilars to the portfolio, 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 succeed in becoming a major biopharmaceutical player.

Results and dividends

The loss for the period was £ 5 236 million (2007: £ 5 566 million).

The directors elected not to recommend payment of a dividend for the year (2007: £nil).

Research and development

GeneMedix is now a part of the Reliance Life Sciences Group which has extensive research and development projects, commercial and R&D infrastructure facilities in India. During the period, the Group incurred research and development costs of £ 2.3 million (2007: £ 3.4 million) predominantly on the development of its EPO, but lately 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 (2007: £nil).

Political support

GeneMedix did not support, or make any donations to, political parties in the period (2007: £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, accruals and prepayments that arise directly from the Group's operations. The main purpose of these financial instruments is to provide working capital for the Group's operations.

The main risks arising from the Group's activities, and involving the use of financial instruments, are foreign currency risk, interest rate risk and liquidity risk. Note 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

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 substantially completed and the Company has taken steps to recover the balance money from its Chinese partner. The balance settlement is expected to be completed by 30th September 2008.

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 and 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 2008 were equivalent to 53 days of purchases (2007: 54 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:

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

Except 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 2008 had no interest in the shares of the Company.

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

Name of director	Beneficial
Dr Kim Tan	14,613,692
Dr H H Ting	1,732,682
Mr G Mylchreest	942,741

International Financial Reporting Standards ("IFRS")

For 2008, 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 first IFRS financial statements and are governed by IFRS 1, First-Time adoption of IFRS. Details regarding the Group's transition to IFRS are set out in Note 2.2 to the financial statements.

Statement on disclosure of information to the auditors

As required under the Companies Act 1985, section 234ZA(2), the 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 LLP resigned as auditors on 2nd May 2008 and PricewaterhouseCoopers Republic of Ireland firm were appointed to fill the casual vacancy arising. PricewaterhouseCoopers, Irish firm have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

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 26 September 2008, 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 to 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

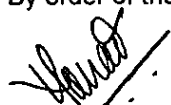
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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

5 September 2008

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 Rajendra Lodha. The Audit Committee normally meets twice a year and has responsibility for, among other things, planning and reviewing the annual report and accounts and interim statements and involving, where appropriate, the auditors. The Committee also approves auditors' fees, 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

5 September 2008

PricewaterhouseCoopers

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Facsimile +353 (0) 1 792 6200
www.pwc.com/ie

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENEMEDIX PLC

We have audited the Group and parent Company financial statements (the "financial statements") of GeneMedix plc for the year ended 31 March 2008 which comprise the consolidated income statement, the consolidated and Company balance sheets, the consolidated and Company cash flow statements, the consolidated and Company statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements.

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

We read 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 Statement and the Directors' Report. We consider the

Ronan Murphy Olwyn Alexander Brian Bergin Damian Byrne Pat Candon John Casey Mary Cleary Siobhán Collier Andrew Craig Thérèse Cregg
Richard Day Fiona de Burca David Devlin John Dillon Ronan Doyle John Dunne FCCA Kevin Egan Martin Freyne Ailsa Hayden Teresa Harrington
Paul Hennessy Ken Johnson Patricia Johnston Paraic Joyce Andrea Kelly Claran Kelly Joanne P. Kelly Chand Kohli John Loughlin Vincent MacMahon
Tom McCarthy Enda McDonagh John McDonnell Ivan McLoughlin Robin Menzies Brian Neilan Damian Neylin Andy O'Callaghan Jonathan O'Connell
Denis O'Connor Donal O'Connor Marie O'Connor FCCA Paul O'Connor Irene O'Keeffe Dave O'Malley Garvan O'Neill Michael O'Neill Joe O'Shea
Ken Owens Emma Scott Bob Semple Mike Sullivan Billy Sweetman Paul Tuite Tony Weldon

Also at Cork, Galway, Kilkenny, Limerick, Waterford and Wexford

Chartered Accountants

PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in Ireland to carry on investment business

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

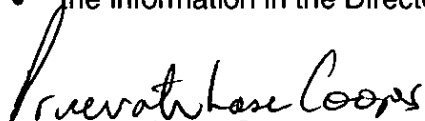
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 consolidated 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 2008 and of its loss and cash flows 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 2008 and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information in the Directors' Report is consistent with financial statements.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
5 September 2008

Consolidated Income Statement

For the year ended 31 March 2008

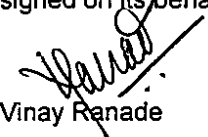
	Notes	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
Continuing operations			
Research and development costs		(2,302)	(3,419)
Administrative expenses		(3,202)	(4,079)
Operating loss		(5,504)	(7,498)
Finance income	6	330	87
Finance costs	7	(109)	(384)
Other income	8	47	2,283
Loss before taxation		(5,236)	(5,512)
Taxation	14	-	345
Loss after taxation from continuing operations		(5,236)	(5,167)
Discontinued operations			
Loss from discontinued operations	12	-	(399)
Loss for the year/period	13	(5,236)	(5,566)
Attributable to:			
Equity holders of the parent		(5,236)	(5,488)
Minority interest	32	-	(78)
		(5,236)	(5,566)
Loss per share for loss attributable to the equity holders of the parent			
From continuing and discontinued operations - basic and diluted	16	(3.4p)	(11 5p)
From continuing operations – basic and diluted	16	(3.4p)	(10 8p)
From discontinued operations – basic and diluted	16	-	(0 7p)

Consolidated Balance Sheet

As at 31 March 2008

	Notes	31 Mar 2008 £'000	31 Mar 2007 £'000
ASSETS			
Non-current assets			
Intangible fixed assets	17	2,159	72
Property, plant and equipment	18	2,850	3,229
Investment at cost		7	-
		5,016	3,301
Current assets			
Inventories	21	384	130
Other receivables	22	998	1,669
Restricted cash	30	162	125
Cash and cash equivalents	30	2,632	9,156
		4,176	11,080
LIABILITIES			
Current liabilities			
Trade and other payables	23	(1,678)	(1,637)
Borrowings	24	(1,059)	(150)
		(2,737)	(1,787)
Net current assets		1,439	9,293
Total assets less current liabilities		6,455	12,594
Non-current liabilities			
Borrowings	24	-	(950)
Net assets		6,455	11,644
Shareholders' equity			
Share capital	25	15,572	15,572
Share premium	27	27,602	27,602
Other reserves	27	3,268	3,226
Retained losses	27	(39,987)	(34,756)
Total shareholders' equity	27	6,455	11,644

The financial statements on pages 16 to 71 were approved by the Board of Directors on 30 August 2008 and were signed on its behalf by


Vinay Ranade
Director

Company Balance Sheet

As at 31 March 2008

	Notes	31 Mar 2008 £'000	31 Mar 2007 £'000
ASSETS			
Non-current assets			
Intangible fixed assets	17	2,159	72
Property, plant and equipment	18	2,850	3,229
Investment	19	7	-
		5,016	3,301
Current assets			
Inventories	21	384	130
Other receivables	22	998	1,669
Restricted cash	30	162	125
Cash and cash equivalent	30	2,632	9,156
		4,176	11,080
LIABILITIES			
Current liabilities			
Trade and other payables	23	(1,678)	(1,637)
Borrowings	24	(1,059)	(150)
		(2,737)	(1,787)
Net current assets		1,439	9,293
Total assets less current liabilities		6,455	12,594
Non-current liabilities			
Borrowings	24	-	(950)
Net assets		6,455	11,644
Shareholders' equity			
Share capital	25	15,572	15,572
Share premium	27	27,602	27,602
Other reserves	27	3,268	3,226
Retained losses	27	(39,987)	(34,756)
Total shareholders' equity	27	6,455	11,644

The financial statements on pages 16 to 71 were approved by the Board of Directors on 30 August 2008 and were signed on its behalf by


 Vinay Ranade
 Director

Consolidated Statement of Recognised Income and Expense

For the year ended 31 March 2008

	Notes	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
Loss for the year/period		(5,236)	(5,566)
Currency translation difference	27	42	22
Gain on early extinguishment of equity element of debenture loan notes	27	-	425
Total recognised expenses for the year/period		(5,194)	(5,119)
Attributable to:			
Equity holders of the parent		(5,194)	(5,046)
Minority interests		-	(73)
		(5,194)	(5,119)

Company Statement of Recognised Income and Expense

For the year ended 31 March 2008

	Notes	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
Loss for the year/period		(5,236)	(6,218)
Currency translation difference	27	42	-
Gain on early extinguishment of equity element of debenture loan notes	27	-	425
Total recognised expenses for the year/period		(5,194)	(5,793)
Attributable to:			
Equity holders of the parent		(5,194)	(5,793)
Minority interests		-	-
		(5,194)	(5,793)

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Notes	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
Cash flows from operating activities			
Continuing operations	28	(5,203)	(5,305)
Discontinued operations	29	-	34
Net cash flows used in operating activities		(5,203)	(5,271)
Cash flows from investing activities			
Payments for plant and equipment	18	(286)	(83)
Payments for intangible assets	17	(2,138)	-
Interest received		364	27
Proceeds from disposal of subsidiary	20	778	671
Increase in restricted cash		(36)	(2)
Acquisition of subsidiary	19	(7)	-
Discontinued operations	12	-	25
Net cash flows (used in)/generated from investing activities		(1,325)	638
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		-	14,760
Issue of convertible unsecured loan stock		-	-
Repayment of convertible loan notes		-	(1,221)
Repayments of borrowings		-	(150)
Repayment of finance leases		-	(782)
Discontinued operations		-	(104)
Cash flows generated from financing activities		-	12,503
Net (decrease)/increase in cash and cash equivalents		(6,528)	7,870
Cash and cash equivalents at the beginning of year/period	30	9,156	1,298
Effect of foreign currency translation		4	(12)
Cash and cash equivalents		2,632	9,156

Company Cash Flow Statement

For the year ended 31 March 2008

	Notes	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
Cash flows from operating activities			
Net cash flows used in operating activities	28	(5,203)	(5,305)
Cash flows from investing activities:			
Payments for plant and equipment	18	(286)	(83)
Payments for intangible assets	17	(2,138)	-
Interest received		364	27
Proceeds from disposal of subsidiary	20	778	671
Increase in restricted cash		(36)	(2)
Acquisition of subsidiary	19	(7)	-
Net cash flows (used in)/generated from investing activities		(1,325)	613
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		-	14,760
Issue of convertible unsecured loan stock		-	-
Repayment of convertible loan notes		-	(1,221)
Repayments of borrowings		-	(150)
Repayment of finance leases		-	(782)
Cash flows generated from financing activities		-	12,607
Net (decrease)/increase in cash and cash equivalents		(6,528)	7,915
Cash and cash equivalents at the beginning of year/period	30	9,156	1,248
Effect of foreign currency translation		4	(7)
Cash and cash equivalents		2,632	9,156

Notes to the Consolidated Financial Statements

For the year ended 31 March 2008

1. General information

GeneMedix plc ('the Company') and its subsidiaries (collectively referred to as 'the Group' or 'GeneMedix') 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, 20th 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 30 August 2008

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 year and period presented, unless otherwise stated.

2.1. Basis of preparation

The consolidated financial statements of GeneMedix plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by European Union. 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 GeneMedix plc. The consolidated financial statements have been prepared under the historical cost convention.

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 the consolidated financial statements are disclosed in Note 4. Critical accounting estimates and judgements.

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

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

IFRS 7, 'Financial instruments Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the group's financial statements

(b) Standards, amendments and interpretations effective in this financial year but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the group's operations

- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies',
- IFRIC 9, 'Re-assessment of embedded derivatives',
- IFRIC 10, 'Interim financial reporting and impairment', and
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'

(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 2008 or later periods, but the Group has not early adopted them

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It 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 is currently not applicable to the Group as there are no borrowing costs relating to qualifying assets
- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. 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
- IAS 1 (Amendment), 'Presentation of financial statements'. It 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

Notes to the Consolidated Financial Statements (continued)

- IFRS 2 (Amendment), 'Share-based payment' relating to vesting conditions and cancellations The amendment will apply retrospectively from 1st 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
- IFRS 3 (Amendment), 'Business combinations' The amendment will apply to business combinations arising from 1st 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' The amendment 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
- 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 will apply IAS 39 (Amendment) from 1 April 2008

(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 2008 or later periods but are not relevant for the Group's operations

- IFRIC 12, 'Service concession arrangements',
- IFRIC 13, 'Customer loyalty programmes',
- IFRIC 14, 'IAS19 – The limit on a defined-benefit asset, minimum funding requirements and their interaction',
- IFRIC 15, 'Agreements for the Construction of Real Estate',
- IFRIC 16 – 'Hedges to a Net Investment in a Foreign Operation', and
- IAS 32 (Amendment), 'Puttable financial instruments and obligations arising on liquidation'

(d) *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

2.2. Basis of transition to IFRS

2.2.1 Application of IFRS 1

The Group's financial statements for the year ended 31 March 2008 will be the first annual financial statements that comply with IFRS The Group has applied IFRS 1 in preparing these consolidated financial statements

GeneMedix's transition date is 1 December 2005 The Group prepared its opening IFRS balance sheet at that date

The reporting date of these consolidated financial statements is 31 March 2008. The Group's IFRS adoption date is 1 December 2005.

In preparing these consolidated financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

The impact of transition from UK GAAP to IFRS on Group shareholders' equity as at 31 March 2007 and on the date of transition of 1 December 2005, and on the Group's income statement for the period ended 31 March 2007 is outlined in Note 38. The impact of transition from UK GAAP to IFRS on Group shareholders' equity as at 31 March 2007 and on the date of transition of 1 December 2005 is outlined in Note 38.

2.2.2 Exemptions from full retrospective application elected by the Group

The Group has elected to apply the following optional exemptions from full retrospective application:

(a) *Business combinations exemption*

The Group has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to the 1 December 2005 transition date. The application of this exemption is detailed in Note 38.

(b) *Fair value as deemed cost exemption*

The Group has elected to measure certain items of property, plant and equipment at fair value as at 1 December 2005. The application of this exemption is detailed in Note 38.

(c) *Cumulative translation differences exemption*

The Group has elected to set the previously accumulated cumulative translation to zero at 1 December 2005. This exemption has been applied to all subsidiaries in accordance with IFRS 1. The application of this exemption is detailed in Note 38.

(d) *Compound financial instruments exemption*

The Group has elected not to restate the comparative information in compliance with IAS 32 "Financial instruments: disclosure and presentation" and IAS 39 "Financial instruments: recognition and measurement".

(e) *Assets and liabilities of subsidiaries exemption*

This exemption is not applicable, as the use of the exemption is made at the level of the subsidiary that adopts IFRS later than its parent company.

(f) *Exemption from restatement of comparatives for IAS 32 and IAS 39*

The Group elected to apply this exemption. It applies previous GAAP rules to financial assets and financial liabilities and for the 2007 comparative information. The adjustments required for differences between GAAP and IAS 32 and IAS 39 are determined and recognised at 1 April 2007. The adjustments are detailed in Note 38.

(g) *Designation of financial assets and financial liabilities exemption*

The Group has held such assets and liabilities; this exemption is not applicable.

(h) *Share-based payment transaction exemption*

Notes to the Consolidated Financial Statements (continued)

The Group has elected to apply the share-based payment exemption. It applied IFRS 2 from 1 December 2005 to those options that were issued after 7 November 2002 but that have not vested by 1 January 2005. The application of the exemption is detailed in Note 38.

(i) *Insurance contracts exemption*

The Group does not issue insurance contracts, this exemption is not applicable.

(k) *Decommissioning liabilities included in the cost of property, plant and equipment exemption*

The Group does not have such liabilities, this exemption is not applicable.

(l) *Fair value measurement of financial assets or liabilities at initial recognition*

The Group has not applied the exemption offered by the revision of IAS 39 on the initial recognition of the financial instruments measured at fair value through profit and loss where there is no active market. This exemption is therefore not applicable.

2.2.3 Exceptions from full retrospective application followed by the Group

The Group has applied the following mandatory exceptions from retrospective application.

(a) *Derecognition of financial assets and liabilities exception*

Financial assets and liabilities derecognised before 1 December 2005 are not re-recognised under IFRS. The application of the exemption from restating comparatives for IAS 32 and IAS 39 means that the Group recognised from 1 December 2005 any financial assets and financial liabilities derecognised since 1 December 2005 that do not meet the IAS 39 derecognition criteria. Management did not choose to apply the IAS 39 derecognition criteria to an earlier date.

The Group has not derecognised any financial assets and liabilities since its formation. Therefore, this exemption is not applicable.

(b) *Hedge accounting exception*

The Group has never either claimed any hedge accounting or met any hedging accounting criteria under IAS 39 since its formation. Therefore, this exemption is not applicable.

(c) *Estimates exception*

Estimates under IFRS at 1 December 2005 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error.

(d) *Assets held for sale and discontinued operations exception*

Management applies IFRS 5 prospectively from 1 December 2005. Any assets held for sale or discontinued operations are recognised in accordance with IFRS 5 only from 1 December 2005. The Group had assets held-for-sale during the period presented, but disposed before the period end. Therefore, only a reclassification adjustment is required at 1 December 2005. Details are shown in Note 38.

2.3 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. 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/period 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 acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. 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.

2.4. 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 Pound Sterling ('£'), which is the Company's presentation currency. Further details are shown in Note 4.3.

(b) Transactions and balances

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/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Notes to the Consolidated Financial Statements (continued)

(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.

2.5. Property, plant and equipment

Property, plant and equipment are 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/period 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%
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 asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.6. 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. Prior to product launch the asset is tested annually for impairment.

2.7 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).

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.

2.8 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 2.10).

Notes to the Consolidated Financial Statements (continued)

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 a 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.

2.9. 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.

2.10. 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 leased assets.

2.11 Trade payables

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

2.12 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 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

On issue the debt and equity components of a convertible loan note are separated and recorded at fair value net of issue costs and income tax effects. The fair value of the liability portion is determined by applying a market interest

Notes to the Consolidated Financial Statements (continued)

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 liability on an amortised cost basis until extinguished on conversion or maturity 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. Where the loan notes include early repayment options for the loan note holders and early repayment will be at par, the embedded option is considered as clearly and closely related and therefore not separated from the host contract.

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.

2.13. 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.

2.14 Employee benefits

(a) Pension obligations

The Group operates various defined contribution plans 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.

(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.

Notes to the Consolidated Financial Statements (continued)

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.

2.15. 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.

2.16 Share capital

Ordinary shares are classified as equity.

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.

2.17 Taxation

(a) Current tax

Current tax is the expected tax payable on the taxable income for the year/period 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.

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.

(b) Research and development tax credits/relief

The Group makes claims each year for Research and Development Tax Credits. It elected to take the cash equivalent amount for previous period under the Small/medium enterprise(SME) scheme. Since acquisition by Reliance Life Sciences, 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 disclosed in Note 24. 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

Notes to the Consolidated Financial Statements (continued)

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 non-UK subsidiaries and branch. The main trading currencies of the Group are Pound Sterling and the Euro (2007 Pound Sterling, the Euro and Chinese Renminbi).

The Group has certain 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.

Following the disposal of the subsidiary in China – Shanghai GeneMedix Biotechnology Co Ltd in December 2006, 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. Where branch and subsidiaries are funded centrally, this is achieved by the use of long-term loans, on which exchange translation differences are taken to reserves.

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

	Liabilities £'000	Assets £'000
Pound Sterling	(36)	-
Euro	(137)	-
Chinese Renminbi ('RMB')	-	181

The Group is mainly exposed to the Pound Sterling, Euro and Chinese Renminbi. In addition, the Group is exposed to cross currency rates, as operating costs of the branch 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 Pound Sterling 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 period 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	£/US\$	£/€	£/RMB	£/PLN
2008	2	9	(26)	-
2007	2	5	(71)	1

At 31 March 2008, if the currency had weakened/strengthened by 10% against the Euro with all other variables held constant, loss for the year would have been £9,169 (2007 £4,765) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro denominated 'other receivables'. Loss is more sensitive to movement in currency/Euro exchange rates in 2008 than 2007 because of the increased amount of Euro trade and other payables. Equity would have been £754,245 (2007 £338,436.26) lower/higher, arising mainly from foreign exchange losses/gains on translation of Euro-denominated intra-company loans and equity reserve. Equity is more

sensitive to movement in currency/Euro exchange rate in 2008 than 2007 because of the increased amount of Euro-denominated intra-company loans

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 24 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 2008. A 1% decrease would have an equal and opposite effect on the change in loss.

	Effect on loss before tax	
	31 March 2008	31 March 2007
	£'000	£'000
Pound Sterling	27	91
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. 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 2008 there was no 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 24 Borrowings, the Group has in issue £1.2 million convertible loan note which was estimated to be redeemed at par on 30 August 2008. This arrangement is under negotiation. 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 24 Borrowings

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 30) on the basis of expected cash flow

Forecasted liquidity reserve per 31 March 2008 is as follows:

	2009 £'000	2010-2013 £'000
Opening balance for the period	2,794	3,395
Operating proceeds	833	51,188
Operating cash outflows	(7,475)	(50,050)
Financing proceeds	7,243	5,762
Payments of debts	-	-
Net cash generated from operating activities	3,395	10,295

3.2 Capital risk management

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 24, cash and cash equivalents in Note 30 and equity attributable to equity holders of the parent, comprising capital, reserves and retained losses are disclosed in Note 27. The Group manages its capital to ensure that in the Group will be able to continue as going concerns and to ensure the Group has sufficient capital available to meet future funding requirements. The Group had net funds of £1.7 million (2007 £8.2 million) and positions the Group to take advantage of any opportunities that might arise to develop the business.

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.

The Group had 4% convertible loan stock of £1.2 million, which carrying value was £1.1 million (2007 £1 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 24.

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 17). 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year/period 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, £2.2 million of development costs incurred during the year has 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. From September 2007 all EPO related development costs are capitalised. All development costs prior to 1 September 2007 and non-EPO related development costs incurred after 1 September 2007 were expensed as incurred.

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. These calculations require the use of estimates (Note 17).

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 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 2008, there is no change to the estimated future net cash flows from Epostim®. If the estimated Group's pre-tax discount rate applied to the discounted cash flows for Epostim® product had been 2% higher than management's estimates (for example, 12% instead of 10%), with all other variables held constant, the Group would have recognised an impairment against intangible assets - development by £73,675.

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.

The Company has autonomous operations in UK and Ireland. The Directors believe the Pound Sterling is the functional currency for UK operation and Euro is the functional currency for Irish branch. The directors would continue to monitor the changes in underlying economic environments with regard to functional currency in the future.

4.4 Share-based payments

GeneMedix 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 period. 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 period.

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 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

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 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 24.

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 treats 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 our financial position or profitability.

Further details are included in Note 33.

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 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.

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 returns that are different from those of components operating in other economic environments.

Notes to the Consolidated Financial Statements (continued)

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 no turnover in either the year to 31 March 2008 or the period to 31 March 2007

After the disposal of the Chinese subsidiary, Shanghai GeneMedix Biotechnology Ltd, in the prior period, the Group's activities are virtually all UK and Ireland based, there is only one geographical segment. The Group's geographical segments are determined by location of operations

Segmental geographic information is set out below

	Continuing operations		Discontinued operations	
<i>For the year ended 31 March 2008</i>	UK £'000	Ireland £'000	China £'000	Group £'000
Research and development costs	(1,039)	(1,263)	-	(2,302)
Administrative expenses	(1,012)	(2,190)	-	(3,202)
Total operating loss	(2,051)	(3,453)	-	(5,504)
Investment revenue	325	5	-	330
Finance costs	(109)	-	-	(109)
Other income	45	2	-	47
Segment loss before tax	(1,790)	(3,446)	-	(5,236)
Tax credit	-	-	-	-
Segment loss for the year	(1,790)	(3,446)	-	(5,236)
Other information				
Depreciation	80	585	-	665
Amortisation	3	-	-	3
Impairment of other intangible assets	48	-	-	48
Balance Sheet				
Total assets	4,019	5,173	-	9,192
Total liabilities	1,574	1,163	-	2,737
Capital expenditure	164	2,260	-	2,424

<i>For the sixteen months to 31 March 2007</i>	Continuing operations		Discontinued operations	Group
	UK	Ireland	China	
	£'000	£'000	£'000	£'000
Research and development costs	(556)	(2,863)	-	(3,419)
Administrative expenses	(2,421)	(1,658)	(412)	(4,491)
Total operating loss	(2,977)	(4,521)	(412)	(7,910)
Investment revenue	73	14	-	87
Finance costs	(354)	(30)	(4)	(388)
Other income	2,283	-	17	2,300
Segment loss before tax	(975)	(4,537)	(399)	(5,911)
Tax credit	345	-	-	345
Segment loss for the period	(630)	(4,537)	(399)	(5,566)
Other information				
Depreciation	147	735	223	1,105
Amortisation	8	-	-	8
Impairment of goodwill	-	-	106	106
Balance Sheet				
Total assets	11,296	3,085	-	14,381
Total liabilities	2,518	219	-	2,737
Capital expenditure	5	78	-	83

6 Finance income

	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
<i>Interest revenue</i>		
Bank deposits	330	87

7. Finance costs

	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
<i>Interest payable</i>		
Bank interest payable	-	(5)
Other loan interest payable	-	(134)
Convertible debenture interest payable	(109)	(224)
Finance lease charge payable	-	(25)
	(109)	(388)
<i>Attributable to</i>		
Continuing operations	(109)	(384)
Discontinued operations	-	(4)
	(109)	(388)

8 Other income

	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
<i>Other income</i>		
Loan interest waived (Note 24)	19	-
4% Debenture loan note interest waived (Note 24)	27	-
Other interest waived*	1	-
Debenture loan note revaluation and redemption (Note 27)	-	2,283
	47	2,283

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

9 Expense by nature

	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
<i>Continuing operations</i>		
Changes in inventories of finished goods (Note 21)	254	130
Raw materials and consumables used in research and development	414	644
Employee benefit expense (Note 13)	1,467	2,122
Depreciation, amortisation and impairment charges (Note 17 and 18)	716	1,218
Research and non-capitalised development costs	1,288	1,851
Operating lease payments (Note 13)	263	235
Other expenses	1,102	1,298
Total Operating expenses	5,504	7,498
<i>Discontinued operations</i>		
Employee benefit expense (Note 13)	-	43
Depreciation, amortisation and impairment charges (Note 29)	-	329
Other expenses	-	27
Total Operating expenses	-	399

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 2008 Number	16 months ended 31 Mar 2007 Number
By activities		
Research and development	30	30
Administration	17	17
	47	47

Aggregate remuneration of Directors

	£'000	£'000
Emoluments	189	252
Post-employment benefits* (Note 11)	13	12
Termination payments	105	-
Share-based payments	-	85
	307	349

*Post-employment benefits are accruing to one executive director (2007 one) under a defined contribution scheme

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

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

	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
Emoluments	125	173
Post-employment benefits (Note 11)	12	12
Termination payments	105	-
Share-based payments	-	85
	242	270

Aggregate remuneration of key management

	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
Emoluments	368	460
Post-employment benefits (Note 11)	26	26
Termination payments	134	-
Share-based payments	1	98
	529	584

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

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 £96,260 (2007 £86,087). The outstanding pension contributions as at 31 March 2008 were £976 (2007 £5,752).

12. Discontinued operations

In August 2005, the group announced its intention to sell its Chinese subsidiary. The group initiated an active programme to locate a buyer in early 2006 and completed the sale in December 2006, its results are presented in this financial information as a discontinued operation.

Financial information relating to the Chinese subsidiary, Shanghai GeneMedix Biotechnology Co Ltd's operations for the sixteen months to 31 March 2007 and year to 31 March 2008 is set out below. The income statement and cash flow statement distinguish discontinued operations from continuing operations.

	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
Administrative expenses/operating loss	-	(395)
Finance costs	-	(4)
Loss before taxation	-	(399)
Taxation	-	-
Loss from discontinued operations	-	(399)
Loss attributable to:		
- equity holders of the Company	-	321
- minority interest	-	78
	-	399
Loss per share – basic and diluted	-	0.7p
Cash flows from discontinued operations		
Net cash flows from operating activities	-	34
Net cash flows from investing activities	-	25
Net cash flows from financing activities	-	(104)
	-	(45)
Consideration received or receivable		
Cash received	778	671
Cash disposed of	-	-
Total net disposal consideration	778	671

13 Loss for the year

Loss for the year has been arrived at after charging

	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
Staff costs		
- Wages and salaries	1,818	1,732
- Social security costs	198	187
- Post employment benefit – defined contribution plans	96	86
- Termination benefits	148	-
- Share-based payments to Directors and employees	5	117
	2,265	2,122
Less Development payroll costs capitalised as intangible assets	(798)	-
	1,467	2,122
Attributable to		
- Continuing operations	1,467	2,079
- Discounted operations	-	43
	1,467	2,122

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 (including its overseas subsidiaries) obtained the following services from the Group's auditors at costs detailed below

	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
<i>Services provided by Group's auditors</i>		
Auditors' remuneration for audit services		
- Auditors' fees	40	35
- All other services pursuant to legislation	7	2
Total audit fee	47	37
Other services pursuant to legislation		
- Tax services	32	20

13 Loss for the year (continued)

	Year ended 31 Mar 2008	16 months ended 31 Mar 2007
Depreciation of property, plant and equipment (Note 18)	665	722
- Owned assets	-	382
- Under finance leases		
Impairment of intangible assets (Note 17)	-	106
- Goodwill	48	-
- Licence fee		
Amortisation of intangible assets (Note 17)	3	3
- Know-how	-	5
- Licence fee		
Total depreciation and amortisation expense	716	1,218
Attributable to		
- Continuing operations	716	989
- Discounted operations	-	329
	716	1,218
	£'000	£'000
Operating lease rental		
- Property, plant and equipment	250	225
- Others	13	10
	263	235

14 Income tax

No tax charge was incurred in respect of current or deferred tax in the year ended 31 March 2008 (2007 £nil)
The tax credit for the year of £nil (2007 £345,075) relates to the Research and Development ("R&D") tax credit claim in respect of the accounting period ended 31 March 2008

Current tax

	Year ended 31 Mar 2008 £'000	16 Months ended 31 Mar 2007 £'000
Tax credit on loss on ordinary activities	-	345

There are tax losses available to be carried forward at 31 March 2008 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)

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

	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
Loss for the financial period/ year	5,236	5,911
Loss on ordinary activities multiplied by the standard rate of corporation tax of 30% (2007 30%)	1,571	1,773
Effects of		
Expenses not deductible for tax purposes	(4)	(36)
Loss carried forward or surrendered for R&D tax credits	(1,536)	(1,540)
Difference between capital allowances and depreciation	(31)	148
Total tax credit for the year/period	-	345

Deferred tax

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

Tax losses can be indefinitely carried forward to offset against future profits from same trade.

15 Loss of holding company

Of the loss for the financial year, a deficit of £5,235,934 (2007 a loss of £6,218,232) is dealt with in the accounts of 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.

16 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.

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 25 for details) and the contingently issuable shares attached to the convertible debentures (see Note 24 for details). Since the Company reported a net loss, diluted loss per share is equal to basic loss per share.

Notes to the Consolidated Financial Statements (continued)

	Year ended 31 Mar 2008 Pence	16 months ended 31 Mar 2007 Pence
Loss per share		
From continuing and discontinued operations		
- Basic (per share)	3.4	11.5
- Diluted (per share)	3.4	11.5
From continuing operations		
- Basic (per share)	3.4	10.8
- Diluted (per share)	3.4	10.8
From discontinued operations		
- Basic (per share)	-	0.7
- Diluted (per share)	-	0.7

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 2008 £'000	16 months ended 31 Mar 2007 £'000
Loss for the year/period attributable to equity holders of the parent	5,236	5,488
Loss used in the calculation of total basic loss per share	5,236	5,488
Less: loss for the year/period from discontinued operations used in the calculation of basic loss per share from discontinued operations	-	(399)
Add: loss for the year/period from discontinued operation for minority interest	-	78
Loss used in the calculation of basic loss per share from continuing operations	5,236	5,167
The Group has no dilutive potential ordinary shares in issue because it is loss making		
Weighted average number of ordinary shares	Number of shares '000	Number of shares '000
For basic and diluted loss per share	155,718	47,891

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

Notes to the Consolidated Financial Statements (continued)

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 2008 '000	16 months ended 31 Mar 2007 '000
Employee options (Note 26)	90	530
Convertible loan notes (Note 24)	2,190	2,190
Share warrants (Note 25)	142,657	142,657
	144,937	145,377

17. Intangible assets

Group	Know-how £'000	Licence fee £'000	Goodwill £'000	R&D costs ³ £'000	Total £'000
As 1 December 2005					
Cost	33	56	4,694	-	4,783
Accumulated amortisation and impairment	(6)	(3)	(3,931)	-	(3,940)
Net book amount	27	53	763	-	843
Period ended 31 March 2007					
Opening net book amount	27	53	763	-	843
Disposals ¹ (Note 20)	-	-	(657)	-	(657)
Impairment charge ² (Note 29)	-	-	(106)	-	(106)
Amortisation charge ⁵ (Note 9 and 13)	(3)	(5)	-	-	(8)
Closing net book amount	24	48	-	-	72
At 31 March 2007					
Cost	33	56	-	-	89
Accumulated amortisation and impairment	(9)	(8)	-	-	(17)
Net book amount	24	48	-	-	72
Year ended 31 March 2008					
Opening net book amount	24	48	-	-	72
Additions	-	-	-	2,138	2,138
Impairment charge ⁴ (Note 9 and 13)	-	(48)	-	-	(48)
Amortisation charge ⁵ (Note 9 and 13)	(3)	-	-	-	(3)
Closing net book amount	21	-	-	2,138	2,159
At 31 March 2008					
Cost	33	56	-	2,138	2,227
Accumulated amortisation and impairment	(12)	(56)	-	-	(68)
Net book amount	21	-	-	2,138	2,159

- ¹ The goodwill disposal is in connection with the disposal of the subsidiary – Shanghai GeneMedix Biotechnology Co Ltd, a 75% owned subsidiary. Further details are disclosed in Note 12 and 20.
- ² The carrying amount of the segment has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss has been included in administrative expenses of the discontinued operations in the income statement.
- ³ The Company capitalised development costs in the amount of £2.3 million for the year (2007: £nil) as an internally generated intangible asset for EPO programme. The amount of £2.3 million (2007: £3.4 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.
- ⁴ The licence fee impairment is related to the termination of the G-CSF licence deal with CJ Pharma in Korea.
- ⁵ Amortisation of £2,222 (2007: £7,977) is included in the 'administrative expenses' in the income statement.
- ⁶ There are no intangible assets with indefinite useful lives. All amortisation charges in the year have been charged through Administrative expenses.

<i>Company</i>	Know-how £'000	Licence fee £'000	R&D costs ³ £'000	Total £'000
As 1 December 2005				
Cost	33	56	-	89
Accumulated amortisation and impairment	(6)	(3)	-	(9)
Net book amount	27	53	-	80
Period ended 31 March 2007				
Opening net book amount	27	53	-	80
Amortisation charge ⁵ (Note 9 and 13)	(3)	(5)	-	(8)
Closing net book amount	24	48	-	72
At 31 March 2007				
Cost	33	56	-	89
Accumulated amortisation and impairment	(9)	(8)	-	(17)
Net book amount	24	48	-	72
Year ended 31 March 2008				
Opening net book amount	24	48	-	72
Additions	-	-	2,138	2,138
Impairment charge ⁴ (Note 9 and 13)	-	(48)	-	(48)
Amortisation charge ⁵ (Note 9 and 13)	(3)	-	-	(3)
Closing net book amount	21	-	2,138	2,159
At 31 March 2008				
Cost	33	56	2,138	2,227
Accumulated amortisation and impairment	(12)	(56)	-	(68)
Net book amount	21	-	2,138	2,159

18 Property, plant and equipment

<i>Group</i>	Leasehold improvement /land and buildings £'000	Office fixtures and equipment £'000	fittings £'000	Plant and machinery £'000	Total £'000
As 1 December 2005					
Cost	1,902	222	201	6,602	8,927
Accumulated depreciation and impairment	(706)	(143)	(62)	(2,281)	(3,192)
Net book amount	1,196	79	139	4,321	5,735
Period ended 31 March 2007					
Opening net book amount	1,196	79	139	4,321	5,735
Exchange difference	(112)	-	-	(57)	(169)
Additions	-	26	23	34	83
Disposals ¹ (Note 20)	(944)	(1)	-	(370)	(1,315)
Depreciation charge ² (Note 9 and 13)	(140)	(49)	(28)	(888)	(1,105)
Closing net book amount	-	55	134	3,040	3,229
At 31 March 2007					
Cost	-	131	224	5,722	6,077
Accumulated depreciation and impairment	-	(76)	(90)	(2,682)	(2,848)
Net book amount	-	55	134	3,040	3,229
Year ended 31 March 2008					
Opening net book amount	-	55	134	3,040	3,229
Reclassification ³	1,738	187	(86)	(1,839)	-
Additions	106	23	11	146	286
Depreciation charge ² (Note 9 and 13)	(325)	(79)	(10)	(251)	(665)
Closing net book amount	1,519	186	49	1,096	2,850
At 31 March 2008					
Cost	3,355	500	100	2,408	6,363
Accumulated depreciation and impairment	(1,836)	(314)	(51)	(1,312)	(3,513)
Net book amount	1,519	186	49	1,096	2,850

¹ The asset disposal is in connection with the disposal of the subsidiary – Shanghai GeneMedix Biotechnology Co Ltd, a 75% owned subsidiary. Further details are disclosed in Note 12 and 20.

² Depreciation expense of £664,829 (2007: £1,104,761) is included in the 'administrative expenses' in the consolidated income statement.

³ During the year, the Group decided to re-classify tangible assets for internal management purpose.

18 Property, plant and equipment (continued)

<i>Company</i>	Leasehold improvement / land and buildings £'000	Office equipment £'000	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
As 1 December 2005					
Cost	-	178	201	6,047	6,426
Accumulated depreciation and impairment	-	(103)	(62)	(1,872)	(2,037)
Net book amount	-	75	139	4,175	4,389
Period ended 31 March 2007					
Opening net book amount	-	75	139	4,175	4,389
Exchange difference	-	-	-	(12)	(12)
Additions	-	26	23	34	83
Disposals ¹	-	-	-	(349)	(349)
Depreciation charge ² (Note 9 and 13)	-	(46)	(28)	(808)	(882)
Closing net book amount	-	55	134	3,040	3,229
At 31 March 2007					
Cost	-	131	224	5,722	6,077
Accumulated depreciation and impairment	-	(76)	(90)	(2,682)	(2,848)
Net book amount	-	55	134	3,040	3,229
Year ended 31 March 2008					
Opening net book amount	-	55	134	3,040	3,229
Reclassification ³	1,738	187	(86)	(1,839)	-
Additions	106	23	11	146	286
Depreciation charge ² (Note 9 and 13)	(325)	(79)	(10)	(251)	(665)
Closing net book amount	1,519	186	49	1,096	2,850
At 31 March 2008					
Cost	3,355	500	100	2,408	6,363
Accumulated depreciation and impairment	(1,836)	(314)	(51)	(1,312)	(3,513)
Net book amount	1,519	186	49	1,096	2,850

¹ The asset disposal is in connection with the disposal of the subsidiary – Shanghai GeneMedix Biotechnology Co Ltd, a 75% owned subsidiary. Further details are disclosed in Note 12 and 20.

² Depreciation expense of £664,829 (2007: £882,109) has been charged in Administrative expenses in the Company's income statement.

³ During the year, the Group decided to re-classify tangible assets for internal management purpose.

18 Property, plant and equipment (continued)

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

<i>Company</i>	Total £'000
As 1 December 2005	
Net book amount	1,917
Period ended 31 March 2007	
Opening net book amount	1,917
Exchange difference	(4)
Depreciation charge	(383)
Transferred to owned assets	(1,530)
Closing net book amount	-
At 31 March 2007	
Cost	-
Accumulated amortisation and impairment	-
Net book amount	-

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

There is no lease rental expense relating to the lease of plant, machinery and equipment included in the income statement (Note 13)

19. Investment in subsidiaries

	31 Mar 2007
<i>Company</i>	£
As at 1 December 2005	
Net book amount	1,705
Period ended 31 March 2007	
Opening net book amount	1,705
Disposal of subsidiary ¹	(657)
Exchange difference	3
Impairments in the period ¹	(1,051)
Closing net book amount	-
As at 31 March 2008	
Cost	-
Accumulated amortisation and impairment	-
Net book amount	-
Year ended 31 March 2008	
Opening net book amount	-
Acquisition of subsidiary ²	7
Closing net book amount	7
As at 31 March 2008	
Cost	7
Accumulated amortisation and impairment	-
Net book amount	7

¹ The impairment recorded against investments in subsidiary undertakings relates to a write down in the carrying value of the investment in Shanghai GeneMedix Biotechnology Co Ltd (SGB). The impairment charge in the period was recognised to reduce the carrying value of the investment to its recoverable amount, and as such no gain or loss was recognised on the sale of the investment. The group completed the sale of SGB in December 2006.

² 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) Shanghai GeneMedix Biotechnology Co Ltd (SGB) incorporated in People's Republic of China with principal activity of therapeutic protein manufacture with 75% ordinary shareholding. The results of SGB have been excluded from the consolidated results from December 2006, at which point control passed to the acquiring party.
- b) GeneMedix Biotech Malaysia Sdn Bhd incorporated in Malaysia with 100% ordinary shareholding. GeneMedix Biotech Malaysia Sdn Bhd had never traded since formation, the 100% shareholding of the subsidiary was written off in line with the Company's restructuring strategy during the year. GeneMedix

Notes to the Consolidated Financial Statements (continued)

Biotech Malaysia Sdn Bhd has been subsequently struck-off from records of Companies Commission of Malaysia and no longer exists as a company

- c) GeneMedix Ireland Limited incorporated in Ireland with 50% ordinary shareholding. The company is not operational.
- d) 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. Since the parent company does not control Biometrix Marketing Private Limited, its accounts are not consolidated with Group accounts as per IAS 27.

20 Disposal of subsidiary undertaking

Disposal of Shanghai GeneMedix Biotechnology Co Ltd ('SGB')

	£'000
Property, plant and equipment	1,310
Other receivables	18
Trade and other payables	(371)
Goodwill	657
Minority interest	16
Total cash consideration	<u>1,630</u>

In December 2006, the group sold SGB, a 75% owned subsidiary, for £1.6 million in cash, of which £778,121 was received in current year (2007: £670,984) and the remaining consideration is due to be received in the course of the 2008 calendar year. There is no profit on the sale. The loss of SGB up to the date of disposal was £nil, and for its last financial period was £232,107.

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

21 Inventories

	Group		Company	
	31 Mar 2008	31 Mar 2007	31 Mar 2008	31 Mar 2007
	£'000	£'000	£'000	£'000
Finished goods - bulk	187	-	187	-
Raw materials and consumables	197	130	197	130
	<u>384</u>	<u>130</u>	<u>384</u>	<u>130</u>

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

22. Other receivables

	Group		Company	
	31 Mar 2008 £'000	31 Mar 2007 £'000	31 Mar 2008 £'000	31 Mar 2007 £'000
Amount due on disposal of subsidiary (Note 20)	181	959	181	959
Other receivables	200	453	200	453
Prepayments	617	257	617	257
	998	1,669	998	1,669

No turnover was generated during the year or prior period, therefore there were no trade receivables at either period end. 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 would be received in full.

23 Trade and other payables

	Group		Company	
	31 Mar 2008 £'000	31 Mar 2007 £'000	31 Mar 2008 £'000	31 Mar 2007 £'000
Trade payables	1,045	1,075	1,045	1,075
Other payables	351	301	351	301
Accruals	282	261	282	261
	1,678	1,637	1,678	1,637

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 53 days (2007: 54 days). No interest charged on the trade payables for the first 60 days from the date of the invoice.

24 Borrowings

	Group		Company	
	31 Mar 2008 £'000	31 Mar 2007 £'000	31 Mar 2008 £'000	31 Mar 2007 £'000
Current				
Loans*	-	150	-	150
4% convertible loan note due 2008 – transferred from non-current liabilities**	1,177	-	1,177	-
Equity component	(305)	-	(305)	-
Amortisation cost	62	-	62	-
Interest accrued on 4% convertible loan note	125	-	125	-
	1,059	150	1,059	150
Non-current				
4% convertible loan note due 2008**	-	1,177	-	1,177
Equity component	-	(305)	-	(305)
Interest accrued on 4% convertible loan note	-	78	-	78
	-	950	-	950

* At 31 March 2007 bridge loans due of £150,000 with Dr Kim S Tan can be terminated on one month's notice by either party and bears interest at 10% per annum. These are unsecured loans. Further details are shown in Note 34.

** 4% £1,177,442 CULS due in 2008 is convertible at the option of the holder into, between 1.9 million and 2.1 million, 10p ordinary shares at any time up to and including 30 August 2008. Unless previously redeemed or converted, it will be redeemed at par on 30 August 2008. The equity component of £305,025 has been credited to Capital reserve – see Note 27.

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

	Less than 3 months £'000	Between 3-12 months £'000	Between 1-2 years £'000	Greater than 2 years £'000	Total £'000
As at 31 March 2008					
Loans*	-	-	-	-	-
4% Convertible loan note**	-	1,322	-	-	1,322
Total borrowings	-	1,322	-	-	1,322
As at 31 March 2007					
Loans*	213	-	-	-	213
4% Convertible loan note**	-	-	1,322	-	1,322
Total borrowings	213	-	1,322	-	1,535

* The bridge loans are included in the maturity analysis above based on the earliest repayment date, of which the interest accrued to 31 March 2007 is £62,672.

Notes to the Consolidated Financial Statements (continued)

** 4% £1,177,442 CULS due in 2008 is convertible at the option of the holder into, between 1.9 million and 2.1 million, 10p ordinary shares at any time up to and including 30 August 2008. Unless previously redeemed or converted, it will be redeemed at par on 30 August 2008. The Directors have carried out a detailed appraisal of a number of potential approaches to renegotiate or refinance the loan note.

The interest charged on 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 £949,924 at 31 March 2007 and the amount reported in the balance sheet at 31 March 2008 £1,058,813 represents the effective interest rate less interest paid to that date.

Currency analysis of borrowings

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

Interest rate analysis – effective rates

	31 Mar 2008	31 Mar 2007
Currency in Pound Sterling	%	%
Loans*	50% of LIBOR + 2%	10
4% convertible loan note**	10	10

* Loans carried a nominal fixed interest rate of 10%. As part of the negotiation on loan repayments, Dr Kim S Tan agreed to re-set the interest rate at 50% of LIBOR + 2%. Consequently, £18,923 of the cumulative interest charge was waived and treated as 'other income' in the income statement. Therefore, the effective rate for the loans is 50% of LIBOR + 2% retrospectively.

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

Fair value

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

	31 Mar 2008		31 Mar 2007	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
4% Convertible loan note*	-	-	950	95
	-	-	950	95

* The convertible loan note is due on 30 August 2008, which is classified as current borrowing as at 31 March 2008. It was classified as non-current borrowing as at 31 March 2007.

At 31 March 2008 and 2007 the carrying value of financial assets and all other financial liabilities is approximate to fair value.

25. Share capital and premium

Authorised

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

	Number of shares '000	Ordinary shares £'000	Share premium £'000	Total £'000
As at 1 December 2005 (10p per share)	37,157	3,716	27,119	30,835
Shares issued for cash consideration*	116,826	11,683	-	11,683
Shares issued on conversion of loan notes	1,735	173	483	656
As at 31 March 2007	155,718	15,572	27,602	43,174
As at 31 March 2008	155,718	15,572	27,602	43,174

The total authorised number of ordinary shares is 302 million shares (2007: 302 million shares) with a par value of 10 pence per share (2007: 10 pence 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 £0.125 per ordinary share for some or all of the warrant shares during a five-year period.

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

Share subscribed price per share (£)	0
Value per share (£)	0
Premium per share (£)	0
Number of shares issued and paid ('000)	116,825
Fair value of the warrants (£'000)	2,921

A credit of £2,920,636 has been made to the warrant reserve during the sixteen months ended 31 March 2007, reflecting the fair value of the warrant at the time of its issue. There is no change in the fair value during the year.

26. 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.

26 Share-based payments (continued)

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

1 Apr 2007 number after consolidation	Number of options forfeited	Number of options granted	Number of options exercised	31 Mar 2008 number	Exercise Price £	Latest exercise date
13,275	(13,275)	-	-	-	0 424	13/01/2010
15,000	(15,000)	-	-	-	6 333	14/05/2010
30,000	(30,000)	-	-	-	6 167	17/05/2010
45,000	(45,000)	-	-	-	9 000	16/10/2010 and 01/12/2010
10,000	-	-	-	10,000	9 700	21/05/2011
4,000	(4,000)	-	-	-	8 150	10/08/2011
10,000	-	-	-	10,000	3 950	12/11/2011
4,500	-	-	-	4,500	4 600	17/12/2011
12,000	(7,500)	-	-	4,500	4 750	04/01/2012 to 07/01/2012
2,500	-	-	-	2,500	4 350	08/04/2012
3,500	-	-	-	3,500	4 400	22/04/2012
4,500	-	-	-	4,500	2 400	22/07/2012
8,500	(4,000)	-	-	4,500	1 800	06/08/2012 to 02/12/2012
15,000	(15,000)	-	-	-	4 650	31/12/2012
3,500	-	-	-	3,500	1 250	12/11/2013
3,500	-	-	-	3,500	1 300	10/11/2013
50,000	(50,000)	-	-	-	0 900	18/12/2013
6,000	(4,000)	-	-	2,000	1 525	01/03/2014 to 13/07/2014
13,500	(10,000)	-	-	3,500	1 350	23/08/2014
3,500	(3,500)	-	-	-	1 435	11/08/2014
92,500	(75,000)	-	-	17,500	1 125	23/11/2014
3,000	-	-	-	3,000	1 000	12/07/2015
4,000	-	-	-	4,000	0 920	12/07/2015
3,500	(3,500)	-	-	-	0 730	12/07/2015
5,000	-	-	-	5,000	0 780	12/07/2015
150,000	(150,000)	-	-	-	0 425	13/10/2015 to 28/11/2015
4,000	(4,000)	-	-	-	0 513	06/09/2015
2,500	(2,500)	-	-	-	0 475	28/11/2015
3,500	-	-	-	3,500	0 455	17/10/2015
4,000	(4,000)	-	-	-	0 432	05/12/2015
529,775	(440,275)	-	-	89,500		

26 Share-based payments (continued)*Equity-settled share-based payments***Employee Share Option Plan**

	31 Mar 2008		31 Mar 2007	
	Number of options	WAEP* £	Number of options	WAEP* £
At the beginning of the year/period	356,000	0 79	398,500	0 85
Options granted	-	-	14,000	0 47
Options exercised	-	-	-	-
Options forfeited	(310,500)	0 75	(56,500)	(1 09)
At the end of the year/period	45,500	1 07	356,000	0 79
Range of exercise prices £	0 45 to 1.52		0 43 to 1 80	
Options exercisable at the end of year/period	34,700		290,566	

* weighted average exercise price

The options outstanding at 31 March 2008 had a weighted average exercise price of £1 07, and a weighted average remaining contractual life of 6 7 years (2007 7 9 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	16 months ended 31 Mar 2007
Weighted average share price (£)	1.07	0 79
Weighted average exercise price (£)	1 07	0 79
Expected volatility (%)	87%	89%
Expected life (years)	10	10
Risk-free interest rate (%)	4 5%	4 9%
Expected dividend yield (%)	None	None
Weighted average fair value of shares (£)	0 93	0 69

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 £117,307 and £5,215 related to equity-settled share-based payment transactions for the 16 months ended 31 March 2007 and year ended 31 March 2008 respectively.

27 Shareholders' funds and statement of changes in shareholders' equity

	Attributable to equity holders of the Company					Minority interest £'000	Total equity £'000
	Share capital	Share premium	Other reserves	Retained losses	Total		
	£'000	£'000	£'000	£'000	£'000		
Balance at 1 Dec 2005	3,716	27,119	1,035	(29,810)	2,060	70	2,130
Loss for the period	-	-	-	(5,488)	(5,488)	(78)	(5,566)
Currency translation	-	-	-	17	17	5	22
Share-based payment	-	-	-	117	117	-	117
Equity element of CULS ⁱ⁾	-	-	20	-	20	-	20
Equity element of CULS ⁱⁱ⁾	-	-	8	-	8	-	8
Cumulated currency translation difference on disposal of subsidiary recycled to the profit & loss account	-	-	-	(17)	(17)	-	(17)
Transfer minority interest on disposal of subsidiary	-	-	-	-	-	3	3
Shares issued for cash consideration	11,682	-	-	-	14,603	-	14,603
Warrant reserve	-	-	2,921	-	-	-	-
Shares issued on conversion of CULS	174	341	-	-	515	-	515
Equity element of CULS transferred to Share Premium on conversion of CULS ^{i) iii)}	-	142	(142)	-	-	-	-
Equity portion of CULS paid ^{iv)}	-	-	(191)	-	(191)	-	(191)
Gain on early extinguishment of equity element of CULS ^{v)}	-	-	(425)	425	-	-	-
Balance at 1 Apr 2007	15,572	27,602	3,226	(34,756)	11,644	-	11,644
Loss for the year	-	-	-	(5,236)	(5,236)	-	(5,236)
Translation difference	-	-	42	-	42	-	42
Share-based payment	-	-	-	5	5	-	5
Balance at 31 Mar 2008	15,572	27,602	3,268	(39,987)	6,455	-	6,455

*CULS Convertible unsecured loan stock

- i) 4% £107,000 CULS due in 2009 is convertible at the option of the holder into, between 0.25 and 0.28 million, fully paid 10p ordinary shares of the Company at any time up to and including 15 February 2009, containing a hard floor in relation to the conversion price equal to 3.825p. The fair value of the CULS prior to the conversion was £90,020, comprising a nominal value of £107,000, an accrued interest of £3,371, minus an equity element of £20,351. The CULS was converted into ordinary shares on 16 February 2007.

27 Shareholders' funds and statement of changes in shareholders' equity (continued)

<i>Other reserves</i>	Capital reserve ^{v)} £'000	Warrant reserve ^{vi)} £'000	Exchange reserve ^{vii)} £'000	Total other reserves £'000
Balance at 1 December 2005	1,035	-	-	1,035
Equity element of CULS ⁱ⁾	20	-	-	20
Equity element of CULS ⁱⁱ⁾	8	-	-	8
Warrant reserve	-	2,921	-	2,921
Equity element of CULS transferred to Share Premium on conversion of CULS ^{i) ii) iii)}	(142)	-	-	(142)
Equity element of CULS paid ^{iv)}	(191)	-	-	(191)
Gain on early extinguishment of equity element of CULS ^{iv)}	(425)	-	-	(425)
Balance at 31 March 2007	305	2,921	-	3,226
Currency translation difference	-	-	42	42
Balance at 31 March 2008	305	2,921	42	3,268

- ii) The other debenture loan represents 5% £50,000 CULS, which is convertible at the option of the holder into, between 0.2 and 0.15 million, fully paid 10p ordinary shares of the Company at any time up to and including 19 May 2009, containing a hard floor in relation to the conversion price equal to 3.375p. The fair value of the CULS prior to the conversion was £43,401, comprising a nominal value of £50,000, an accrued interest of £1,326, minus an equity element of £7,924. The CULS was converted into ordinary shares on 16 February 2007.
- iii) 4% £500,000 CULS due in 2007 was convertible at the option of the holder into, between 1.2 million and 1.3 million, fully paid 10p ordinary shares of the Company at any time up to and including 12 October 2007. Prior to conversion into ordinary shares, the fair value of the CULS was £408,139, comprising a nominal value of £500,000, an accrued interest of £21,863, minus an equity element of £113,724. The CULS were converted into ordinary shares on 16 February 2007.
- iv) 5% £3,250,000 convertible unsecured loan stock (CULS) due in 2007 was convertible at the option of the holder into, between 1.1 million and 0.8 million, fully paid 10p ordinary shares of the Company in a range between £2.9 and £3.9 per 10p ordinary share at any time up to and including 28 June 2004 and may be redeemed at the option of the issuer between 29 June 2002 and 28 June 2007 at par. The fair value of the CULS prior to the re-negotiation was £3,312,379 comprising a nominal value of £3,250,000 and an accrued interest of £678,382, minus an equity element of £616,003. During the period, the CULS were re-negotiated and redeemed for a cash consideration of £1,221,090, of which £191,477 was equity element. The Company also recognised a financial gain of £2,282,766 and transferred the related equity element of £424,526 to the profit and loss reserve.
- v) Capital reserve is the equity element of convertible loan notes issued by the Company.
- vi) Warrant reserve is the fair value of share warrant issued by the Company.
- vii) Exchange reserve represents the cumulative foreign currency translation difference of the Group.

28 Cash used in continuing operations

	Group		Company	
	Year ended 31 Mar 2008	16 months ended 31 Mar 2007	Year ended 31 Mar 2008	16 months ended 31 Mar 2007
	£'000	£'000	£'000	£'000
Loss for the year/period	(5,236)	(5,167)	(5,236)	(6,218)
Adjustment for				
Taxation	-	(345)	-	(345)
Finance costs	109	384	109	384
Finance income	(330)	(87)	(330)	(87)
Other income	(47)	(2,283)	(47)	(2,283)
Depreciation of property, plant and equipment	665	882	665	882
Impairment on acquired intellectual property rights	48	-	48	-
Impairment on investment	-	-	-	1,051
Amortisation of intangible assets	3	8	3	8
Share-based payments	5	117	5	117
Gains on early extinguishment of equity element of debenture loan note	-	425	-	425
Operating cash flows before movement in working capital	(4,783)	(6,066)	(4,783)	(6,066)
Increase in inventories	(254)	(130)	(254)	(130)
Decrease in trade and other receivables	(57)	289	(57)	289
(Decrease)/increase in trade and other payables	(106)	339	(106)	339
Decrease in provisions	-	(1)	-	(1)
Cash used in operations	(5,200)	(5,569)	(5,200)	(5,569)
Interest paid	(3)	(79)	(3)	(79)
Research and development tax credit received	-	343	-	343
Net cash outflow used in operating activities	(5,203)	(5,305)	(5,203)	(5,305)

29. Cash generated from discontinued operations

	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
Loss for the year/period		(399)
Adjustment for		
Finance costs	-	4
Depreciation of property, plant and equipment	-	223
Impairment on goodwill	-	106
Cumulative currency translation difference on disposal of subsidiary	-	(17)
Operating cash flows before movement in working capital	-	(83)
(Increase)/decrease in inventories	-	21
Decrease/(increase) in trade and other receivables	-	(4)
(Decrease)/increase in trade and other payables	-	104
Cash generated from discontinued operations	-	38
Interest paid	-	(4)
Net cash generated from operating activities	-	34

30 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 2008 £'000	31 Mar 2007 £'000
Restricted cash (Note 2.10)	162	125
Cash at hand and in bank	2,632	9,156
	2,794	9,281

31 Commitments

The Group leases property and office equipments under operating leases. The rents payable under property leases are subject to renegotiation at various intervals specified in the leases. The Group pays for substantially all of the insurance and maintenance and repair of these assets.

Notes to the Consolidated Financial Statements (continued)

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

	Equipment		Buildings	
	31 Mar 2008 £'000	31 Mar 2007 £'000	31 Mar 2008 £'000	31 Mar 2007 £'000
No later than 1 year	3	1	-	-
Later than 1 year and no later than 5 years	12	18	56	-
Later than 5 years	-	-	2,739	2,975
	15	19	2,795	2,975

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 £ 2.23 million, however such amount will vary depending on progress of the development programme.

32 Minority interest

	Year ended 31 Mar 2008 £'000	16 months ended 31 Mar 2007 £'000
At beginning of year/period	-	70
Loss on ordinary activities after taxation	-	(78)
Loss/ profit on foreign currency translation	-	(8)
Disposal of subsidiary undertakings	-	16
At end of year/period	-	-

33 Contingencies

During the year, 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 in its favour and obtain possession of the equipment. In view of this, the management does not envisage any significant contingent liability to be reported.

34. 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 subsidiary, which is related party of the Company, have been eliminated on consolidation and are not disclosed in this note. There were no transactions reported during the year between the Group and other related parties.

Trading transactions

During the year, group entities did not enter into any trading transactions with related parties

Loans from related parties

During 16 months to 31 March 2007, Dr Kim Tan lent the Company the amount of £307,000, of which £107,000 and £50,000 were in return for the issue by the Company of Convertible Loan Notes 2009 with a 4% and 5% coupon rate respectively, which were converted into ordinary shares on 16 February 2007, and remaining unsecured 10% loans of £150,000 were repaid on 31 March 2008. There is no loan outstanding as on the date of this report.

35. Ultimate parent undertaking

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

Reliance Life Sciences Private Limited is the only undertaking for which financial statements which include the consolidated financial statements of GeneMedix Plc are drawn up. These financial statements are not publicly available.

36. Post balance sheet event

There is no other event after 31st March 2008 that requires disclosure or adjustment to these financial statements.

37. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 30 August 2008.

38. Explanation of transition to IFRS

This is the first year that the Group has presented its financial statement under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the sixteen months ended 31 March 2007 and the date of transition to IFRS was therefore 1 December 2005.

Exemptions from full retrospective application – elected by the Group

The Group has elected to apply the following optional exemptions from full retrospective application:

a) Business combinations exemption

The Group has applied the business combination exemption in IFRS 1. It has not restated business combinations that took place prior to the 1 December 2005 transition date in accordance with IFRS 3, 'Business Combinations'.

b) Cumulative translation differences exemption

The Group has elected to set the previously accumulated cumulative translation differences arising on the translation and consolidation of results of foreign operations and balance sheets denominated in foreign currencies to zero at 1 December 2005. This exemption has been applied to all subsidiaries in accordance with IFRS 1.

c) Exemption from restatement of comparatives for IFRS7

Notes to the Consolidated Financial Statements (continued)

The Group has elected to apply this exemption. It applies UK GAAP rules to derivatives, financial assets and financial liabilities and to hedging relationships for the 2007 comparative information. The adjustments required for differences between UK GAAP and IFRS7 are determined and recognised at 1 April 2007.

d) Share-based payment transaction exemption

The Group has elected to apply the share-based payment exemption. It applied IFRS 2 from 1 December 2005 to those options that were issued after 7 November 2002 but that have not vested by January 1, 2005.

The Group adopted FRS 20 "Share-based payment", which is almost identical to IFRS 2, for the sixteen months ended 31 March 2007. Hence, no adjustment is required.

Exceptions from full retrospective application followed by the Group

The Group has applied the following mandatory exceptions from retrospective application:

a) Estimates exception

Estimates under IFRS at 1 December 2005 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error. No adjustment was required.

b) Assets held for sale and discontinued operations exception

The Group elected to apply IFRS 5, 'Non-Current Assets Held for Sale and Discontinued Operations' retrospectively as all required information was available at the time of disposal of the subsidiary – Shanghai GeneMedix Biotechnology Ltd Co. Only a reclassification adjustment was required as at 1 December 2005.

Reconciliations between IFRS and UK GAAP**Reconciliation of equity at 31 March 2007 and 1 December 2005**

Group	Note	At 31 Mar 2007 £'000	At 1 Dec 2005 £'000
Equity as reported under UK GAAP		11,644	1,025
<i>Adjustments</i>			
Reversal of goodwill amortisation	(a)	106	-
Impairment on goodwill	(b)	(106)	-
Employer's National Insurance liability on share options	(c)	-	(1)
Cumulative currency translation difference on disposal of subsidiary recycled to the income statement	(d)	17	-
Cumulative currency translation difference on foreign subsidiary transferred from the reserves	(d)	(17)	-
Holiday pay accrual	(e)	-	-
		<hr/> 11,644	<hr/> 1,024
Minority interest in equity		-	71
Total equity reported under IFRS		<hr/> 11,644	<hr/> 1,095

Group	Note	16 months ended 31 Mar 2007 £'000
Reconciliation of loss for the period		
Loss for the period reported under UK GAAP		(5,505)
<i>Adjustments</i>		
Goodwill amortisation	(a)	106
Impairment of goodwill	(b)	(106)
Cumulative currency translation difference on disposal of subsidiary	(d)	17
Holiday pay accrual	(e)	-
Loss for the year/period reported under IFRS		<hr/> (5,488)

Explanation of material adjustments to equity at 31 March 2007 and 1 December 2005 and to loss for the sixteen months ended 31 March 2007

a) Reversal of goodwill calculated under UK GAAP

Under IFRS 3 'Business Combinations', from 1 December 2005 the Group has no longer systematically amortised goodwill, but has instead tested these assets for impairment on at least an annual basis. The Group applied the exemption under IFRS 1, not applying IFRS 3 to the business combination that occurred before 1 December 2005, the Group's date of transition.

The amortisation charge under UK GAAP for goodwill in 2007 was £106,347 and consequently this amount has been reversed for IFRS.

b) IAS 36, 'Impairment of Assets' - goodwill

Following the reversal of goodwill amortisation as described in note (a) above, an adjustment was required to reduce the value of goodwill created on the acquisition of Shanghai GeneMedix Biotechnology Ltd Co., which was impaired, to its recoverable amount.

c) Employer's National Insurance charge on share options

Under UK GAAP the potential liability for employer's National Insurance on share options was calculated at each period end based on the current employer's National Insurance rate and the number of share options that had an exercise price below the share price at the period end. Under IFRS the potential liability for employer's National Insurance on share options is calculated based on an estimate of the fair value of each option at the period end and the current employer's National Insurance rate. For options that are within three years of grant date the potential liability is pro-rated from the date of grant to the period end. For vested options all the potential liability is accrued. For share options where the employee has agreed to pay the National Insurance liabilities on exercise a National Insurance asset has been created and the amount credited to the income statement.

As the Company's share price has been declined below the option price or fair value of the option price, therefore, no employer's national insurance charge have been accrued since 31 March 2007.

d) IAS 21, 'The Effects of Changes in Foreign Exchange Rates'

Under IFRS cumulative foreign currency translation differences arising on the translation and consolidation of foreign operations' income statements and balance sheets denominated in foreign currencies must be recorded as a separate component of equity. Applying the exemption under IFRS 1, the Group has measured and recorded all cumulative foreign currency translation differences arising after the transition date of 1 December 2005. On disposal of a foreign operation the cumulative translation differences will be transferred to the income statement as part of the gain or loss on disposal.

e) Holiday pay accrual

The Group's holiday period runs from 1 April to 31 March each year and the Group allows employees to carry over any unused annual leave into the next year as long as they are used by 30 September of that year. Under UK GAAP holiday pay accruals were not calculated, however, under IFRS the Group has calculated its potential holiday pay liability at each period end. As the amounts for the holiday pay accrual at 1 December 2005 and 16 months to 31 March 2007 were immaterial, the Group decided not to make adjustments for either period.

All of the above changes have been implemented from 1 December 2005. From 1 April 2007 the Group has implemented the following additional changes in accounting policies. These changes will be applied prospectively.

from 1 April 2007 and will therefore not affect the 2007 comparative information in the Annual Report and Accounts 2007

IFRS 7, 'Financial Instruments Disclosures' and IAS 39, 'Financial Instruments Recognition and Measurement'
From 1 April 2007 the Group has applied IFRS 7 and IAS 39. These standards are applied prospectively, and therefore no restatements are made to the income statement for the sixteen months ended 31 March 2007 and the balance sheets as at 1 December 2005 and 31 March 2007.

Cash flow

The transition from UK GAAP to IFRS has no effect upon the cash flows generated by the Group. The IFRS cash flow statement is presented in a different format from that required by UK GAAP with cash flows split into three categories of activities – operating activities, investing activities and financing activities. The reconciling items between the UK GAAP presentation and the IFRS presentation have no net impact on the cash flows generated. In preparing the cash flow statement under IFRS, cash and cash equivalents include cash at bank and in hand and highly liquid interest bearing securities with original maturities of three months or less, but exclude restricted cash. Under UK GAAP, the cash flow also recognised restricted cash within cash and liquid resources.
