

# **Fulcrum Pharma (Europe) Limited**

**(formerly Fulcrum Pharma Developments Limited)**

## **Annual report**

**for the year ended 31 August 2008**

**Registered Number 03735819**

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**Fulcrum Pharma (Europe) Limited**  
**Annual report**  
**for the year ended 31 August 2008**

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# **Fulcrum Pharma (Europe) Limited**

## **Directors and Advisors**

### **Directors**

Dr FM Armstrong

Dr J A Devlin

Mr B K Knight

### **Secretary**

Mr W Catlin-Hallett

### **Registered office**

Hemel One

Boundary Way

Hemel Hempstead

Hertfordshire

HP2 7YU

### **Auditors**

PricewaterhouseCoopers LLP

10 Bricket Road

St Albans

Herts

AL1 3JX

# **Fulcrum Pharma (Europe) Limited**

## **Directors' Report for the Year Ended 31 August 2008**

The directors present their report and the audited financial statements for the year ended 31 August 2008.

### **Results**

The loss after taxation for the year amounted to £168,000 (2007: profit of £42,000).

### **Dividends**

No interim dividend (2007: £nil) was paid and the directors do not propose a final dividend.

### **Principal activities and review of the business**

The Company's principal activity is, and will continue to be, to offer global virtual drug development and strategic outsourcing services to the pharmaceutical industry.

On 5 April 2008, the company changed its name from Fulcrum Pharma Developments Limited to Fulcrum Pharma (Europe) Limited. As at 1 April 2008, the assets and liabilities and the trading operations of Quadramed Limited ("Quadramed") and Unicus Regulatory Services Limited ("Unicus"), both of which are wholly owned subsidiaries of Fulcrum Pharma plc, were transferred to Fulcrum Pharma (Europe) Limited. The assets and liabilities were transferred at book value.

The profit and loss account for the year is set out on page 5. Fee sales have increased by 33% over the previous year, reflecting the increased size of the integrated organisation and the investment in selling expenses. A provision for diminution in the value of a fixed asset investment of £99,000 has been recognised in the year. The operating loss of £56,000 for the year compares to a profit of £163,000 in the previous year.

The Key Performance Indicators ("KPIs") of the company are fee sales and net cash generation. These have been discussed on a Group-wide basis, on pages 4 -7 of the Group's annual report which does not form part of this report.

### **Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to be deterioration of the funding climate for biotech and smaller pharmaceutical companies and changes in health authority regulations which may create additional uncertainty and cost for drug development programmes.

### **Directors and officers**

The directors who served during the year are set out below:

Dr FM Armstrong (appointed 1 April 2008)

Dr J P Court (resigned 1 April 2008)

Dr J A Devlin

Mr CGGS Smith (resigned 8 June 2009)

Mr B K Knight (appointed 8 June 2009)

The position of Company Secretary during the year was held by Mrs L Wotherspoon. On 22 December 2008, Mrs Wotherspoon resigned and Mr William Catlin-Hallett was appointed as Company Secretary.

None of the Directors had an interest in any contract of significance to which the Group was party during the year ended 31 August 2008.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

# Fulcrum Pharma (Europe) Limited

## Statement of directors' responsibilities (continued)

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Charitable and political contributions

The Company made no charitable contributions during the year (2007: £nil). The Company made no political contributions during the year.

## Financial risk management

The financial risks faced by the Company include interest rate risk, currency risk and liquidity. The directors review and agree policies for managing each of these risks.

The Company's main objectives in using financial instruments are the maximisation of returns from funds held on deposit and, when appropriate, the generation of additional operating cash resources through financing arrangements for capital assets. The main purpose of these financial instruments is to provide working capital for the Company's operations.

The Company's treasury policy, which is approved by the board of directors, is one of conservatism. As a matter of policy the Company does not undertake speculative transactions which would increase its currency or interest rate exposure.

## Provision of information to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any audit information and to establish that the Company's auditors are aware of that information.

## Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

By order of the Board



W Catlin-Hallett  
Company Secretary

23 June 2009

# **Fulcrum Pharma (Europe) Limited**

## **Independent Auditors' Report to the Members of Fulcrum Pharma (Europe) Limited**

We have audited the financial statements of Fulcrum Pharma (Europe) Limited for the year ended 31 August 2008 which comprise the Profit and Loss Account, the Balance Sheet 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

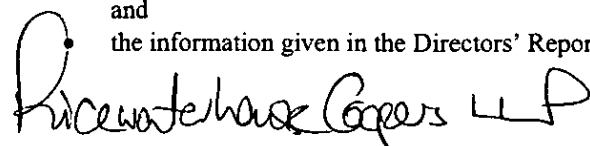
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2008 and of its loss for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Registered Auditors**  
**St Albans**

**26 June 2009**

# Fulcrum Pharma (Europe) Limited

## Profit and Loss Account for the Year Ended 31 August 2008

	Note	2008 £'000	2007 (restated) £'000
<b>Turnover</b>	3	<b>6,725</b>	5,040
Cost of sales		(4,212)	(3,255)
<b>Gross profit</b>		<b>2,513</b>	1,785
Selling expenses		(467)	(215)
Administrative expenses		(2,003)	(1,452)
Other operating income		—	45
<b>Operating profit</b>	4	<b>43</b>	163
Interest receivable and similar income	8	13	5
Interest payable and similar charges	9	(125)	(126)
Provision for diminution in value of investment	10	(99)	—
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(168)</b>	42
Tax on (loss)/profit on ordinary activities	11	—	—
<b>(Loss)/profit for the year</b>	19	<b>(168)</b>	42

All amounts above are derived from continuing operations.

There are no recognised gains or losses other than shown above, accordingly no statement of total recognised gains and losses has been presented.

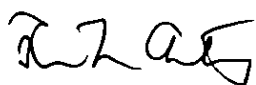
There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalent.

# Fulcrum Pharma (Europe) Limited

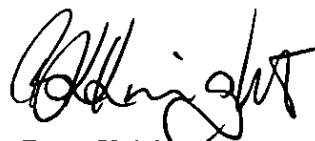
## Balance Sheet as at 31 August 2008

	Note	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Tangible assets	12	533	452
Investments	13	371	470
		<b>904</b>	<b>922</b>
<b>Current assets</b>			
Debtors	14	5,521	3,972
Cash at bank and in hand		1,143	1,090
		<b>6,664</b>	<b>5,062</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(5,512)</b>	<b>(3,752)</b>
<b>Net current assets</b>		<b>1,152</b>	<b>1,310</b>
<b>Total assets less current liabilities</b>		<b>2,056</b>	<b>2,232</b>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(2,500)</b>	<b>(2,500)</b>
<b>Net liabilities</b>		<b>(444)</b>	<b>(268)</b>
<b>Capital and reserves</b>			
Share capital	18	—	—
Profit and loss account	19	(444)	(268)
<b>Shareholders' deficit</b>	19, 20	<b>(444)</b>	<b>(268)</b>

The financial statements on pages 5 to 18 were approved by the Board of directors on 23 June 2009 and signed on its behalf by:



**Frank Armstrong**  
Director



**Barry Knight**  
Director



# **Fulcrum Pharma (Europe) Limited**

## **Notes to the Financial Statements for the Year Ended 31 August 2008**

### **1. Accounting Policies**

#### **Accounting convention**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and the historical cost convention. A summary of the more important accounting policies, which have been reviewed by the board of directors in accordance with Financial Reporting Standard ("FRS") 18, "Accounting policies" and have been applied consistently other than as explained below.

#### **Going concern**

These financial statements have been prepared on a going concern basis, as the directors have received confirmation from the parent company, Fulcrum Pharma plc, that it will provide financial and operational support to the Company to enable it to carry on its business and to meet its liabilities as they fall due.

#### **Cash flow statement**

The company is a wholly owned subsidiary of Fulcrum Pharma plc and is included in the consolidated financial statements of Fulcrum Pharma plc, which are publicly available (see note 25). Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised).

#### **Turnover and long-term contracts**

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, excluding pass-through costs of suppliers (see note 2), except in respect of long-term contracts where turnover represents the sales value of work performed in the year, including estimates in respect of amounts not invoiced. Turnover in respect of long-term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract.

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, on a contract by contract basis by recording turnover and related costs as contract activity progresses. Revenue derived from variations on contracts is recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Milestone payments due under contracted relationships are recorded to revenue when all work related to the milestone is completed.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

#### **Government grants**

Government grants which are granted under job creation schemes are recognised in the profit and loss account on a basis that matches the costs of employment. The grants receivable are credited to the profit and loss account as the criteria for payment of each instalment are met.

# Fulcrum Pharma (Europe) Limited

## 1. Accounting Policies (continued)

### Share based payments

Fulcrum Pharma plc issues equity-settled share-based payments to certain employees of the Company. In accordance with FRS 20 'Share-based payments', equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of the number of shares that will ultimately vest. The Company has taken the exemption available and has applied the provisions of FRS 20 only to those options granted after 7 November 2002 which were outstanding at 1 September 2006.

The share-based payments charge is included within administrative expenses, with the credit entry being posted directly to reserves.

### Pensions

The company makes contributions to individual personal pension plans. The contributions are charged to the profit and loss account as they are incurred.

### Deferred taxation

Provision is made for deferred taxation in accordance with FRS 19, "Deferred tax" on all material timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful economic life, as follows:

Leasehold improvements	- over the lease term
Fixtures and fittings	- five years
Computer equipment	- two-five years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or circumstances indicate the carrying value may not be recoverable.

### Investments

Fixed asset investments are shown at cost less provision for impairment.

### Finance and operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the profit and loss account. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

## 2. Restatement of prior year comparatives

The turnover and cost of sales for the prior year have been restated to exclude passthrough costs of suppliers, which were previously included. Turnover and cost of sales for the year to 31 August 2007 have been reduced by £3,780,000. These presentational restatements had no impact on the gross profit or net assets of the company for the year ended 31 August 2007.

# Fulcrum Pharma (Europe) Limited

## 3. Turnover

Analysis of turnover by geographical market is given below:

	2008 £'000	2007 (restated) £'000
United Kingdom	2,185	485
Rest of Europe	2,245	2,165
North America	616	335
Japan	1,165	1,150
Rest of the world	514	905
	<b>6,725</b>	<b>5,040</b>

In the opinion of the Directors, the disclosure of the profit before taxation and net assets by geographical segment and turnover, profit before taxation and net assets by class of business would be prejudicial to the interests of the Company; accordingly this information has not been disclosed.

## 4. Other operating income

	2008 £'000	2007 £'000
Government grants	—	45

The Company has been awarded two grants by the Scottish Development Agency under Aid for Job Creation. The conditions of the first grant specify that income of up to £150,000 may be awarded in three instalments within a period of 18 months from 6 March 2006 on condition that at least twelve full-time jobs are created. The conditions of the second grant, which was awarded to Quadramed, specify that income of up to £135,000 may be awarded in three instalments within a three year period from completion of expenditure on fixed assets.

## 5. Operating profit

This is stated after charging:

	2008 £'000	2007 £'000
Auditors' remuneration	22	13
- fees payable to the Company's auditors for the audit of the financial statements		
Depreciation of tangible fixed assets - owned assets	192	177
- leased assets	—	—
Foreign exchange (gains)/losses through Profit and Loss	(109)	12
Income recognised in respect of Buncefield claim	(14)	(137)
Operating lease rentals:		
Land and buildings	148	179

# Fulcrum Pharma (Europe) Limited

## 6. Directors' emoluments

	2008 £'000	2007 £'000
Emoluments	—	111
Company contributions paid to money purchase pension schemes	—	10
	—	121

	2008 Number	2007 Number
Members of money purchase pension schemes	—	1

### Highest paid director

	2008 £'000	2007 £'000
Emoluments	—	111
Company contributions paid to money purchase pension schemes	—	10
	—	121

The costs of the directors during the year were borne by Fulcrum Pharma plc and are disclosed in its annual report and accounts.

## 7. Staff costs

	2008 £'000	2007 £'000
Wages and salaries	3,592	2,954
Social security costs	409	305
Pension costs	282	222
Share based payments (credit)/charge	(8)	29
	4,275	3,510

The average number of employees including executive directors during the year was:

By activity	2008 Number	2007 Number
Project management	36	25
Sales and administration	14	7
	50	32

The increase in staff numbers reflects the transfer of trade from Quadramed and Unicus, as described in the Directors' report.

## Fulcrum Pharma (Europe) Limited

### 8. Interest receivable and similar income

	2008 £'000	2007 £'000
Bank interest	13	4
Other interest	—	1
	13	5

### 9. Interest payable and similar charges

	2008 £'000	2007 £'000
On loans from parent company	125	125
On bank loans and overdrafts	—	1
	125	126

### 10. Provision for diminution in value of investments

A provision for diminution in value of £99,000 (£2007: £nil) has been recognised in respect of the investment in NanoCarrier Co Limited and this investment is now held at £199,000. The Directors are of the opinion that this represents a permanent diminution of the value of the investment.

### 11. Tax on (loss)/profit on ordinary activities

	2008 £'000	2007 £'000
<b>Current taxation</b>		
UK Corporation tax	—	—
<b>Deferred taxation</b>		
Deferred taxation (see note 17)	—	—
<b>Current tax charge for the year</b>	—	—

# Fulcrum Pharma (Europe) Limited

## 11. Tax on (loss)/profit on ordinary activities (continued)

### Current taxation

The tax charge for the year differs from the standard rate of corporation tax in the UK of 29.17% (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>(168)</b>	<b>42</b>
Loss/(profit) on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 29.17% (2007: 30%)	<b>(50)</b>	<b>13</b>
Effects of:		
Expenses not deductible for tax purposes	<b>28</b>	<b>10</b>
Depreciation in excess of capital allowances	<b>57</b>	<b>—</b>
Research & development tax credits	<b>(159)</b>	<b>(153)</b>
Group relief surrendered without payment	<b>63</b>	<b>140</b>
Short term timing differences	<b>—</b>	<b>(22)</b>
Losses carried forward	<b>61</b>	<b>12</b>
<b>Current tax charge for year</b>	<b>—</b>	<b>—</b>

The standard rate of tax in the UK changed to 28% from 1 April 2008. Accordingly the effective tax rate for the year is 29.17%.

## 12. Tangible fixed assets

	Leasehold Improvements £'000	Computers and office fixtures and fittings £'000	Total £'000
<b>Cost</b>			
At 1 September 2007	132	786	918
Additions	—	153	153
Transfers from fellow subsidiary companies	36	287	323
<b>At 31 August 2008</b>	<b>168</b>	<b>1,226</b>	<b>1,394</b>
<b>Depreciation</b>			
At 1 September 2007	24	442	466
Charge for the year	30	162	192
Transfers from fellow subsidiary companies	8	195	203
<b>At 31 August 2008</b>	<b>62</b>	<b>799</b>	<b>861</b>
<b>Net book value</b>			
<b>At 31 August 2008</b>	<b>106</b>	<b>427</b>	<b>533</b>
<b>At 31 August 2007</b>	<b>108</b>	<b>344</b>	<b>452</b>

# Fulcrum Pharma (Europe) Limited

## 13. Investments

	2008 £'000	2007 £'000
<b>Cost</b>		
Listed investments:		
Addex Pharmaceuticals SA	172	172
NanoCarrier Co. Limited	298	—
Provision for diminution in value of NanoCarrier investment	(99)	—
	371	172
Other investments:		
NanoCarrier Co. Limited	—	298
	—	298
	371	470

Listed investments: The Company owns a 0.19% stake in Addex Pharmaceuticals SA. The market value of the investment at 31 August 2008 was £278,000.

The Company owns a 0.8% investment in NanoCarrier Co. Limited (2007: 0.8%). At 31 August 2007, the investment was unlisted and valued at historical cost. During the year, it was listed on the Tokyo Mother's Market stock exchange. The market value of the investment at 31 August 2008 was £100,000. The Company has recognised a permanent diminution in value of £99,000 against the value of the investment and this investment is now held at £199,000 (see note 10).

## 14. Debtors

	2008 £'000	2007 £'000
Trade debtors	2,101	615
Amount owed by group undertaking	1,986	1,939
Other debtors	263	357
Corporation tax recoverable	1	—
Prepayments and accrued income	1,170	1,061
	5,521	3,972

# Fulcrum Pharma (Europe) Limited

## 15. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	1,011	766
Amounts owed to group undertaking	2,221	1,237
Other taxes and social security costs	165	99
Other creditors	55	12
Accruals and deferred income	2,060	1,638
	<b>5,512</b>	<b>3,752</b>

## 16. Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Amounts owed to parent undertaking	2,500	2,500

Interest is payable on the loan from the parent company at UK base rate, which is unsecured. There is no fixed term for repayment of the loan.

## 17. Provisions for liabilities and charges

The movement in the deferred taxation provision is as follows:

	2008 £'000	2007 £'000
At 1 September 2007 and at 31 August 2008	—	—

At 31 August 2007, the deferred tax assets/(liabilities) were as follows:

	Amount provided 2008 £'000	Amount provided 2007 £'000	Amount unprovided 2008 £'000	Amount unprovided 2007 £'000
Tax effect of timing differences because of:				
Difference between capital allowances and depreciation	—	(5)	99	—
Tax losses	—	5	351	355
	—	—	<b>450</b>	<b>355</b>

The potential deferred tax asset in respect of cumulative losses has not been recognised in these financial statements as there is no immediate prospect of these being utilised. Deferred tax is calculated at the UK Corporation Tax rate of 28% which is effective from 1 April 2008 (2007: 30%).



# Fulcrum Pharma (Europe) Limited

## 18. Share capital

	2008 Number	2008 £'000	2007 Number	2007 £'000
Authorised				
Ordinary shares of £1 each	1,000	1	1,000	1
	2008 Number	2008 £'000	2007 Number	2007 £'000
Authorised, called up and fully paid				
Ordinary shares of £1 each	375	—	375	—

## 19. Reserves

	Profit and loss account £'000
At 1 September 2007	(268)
Share based payments	(8)
Loss for the year	(168)
At 31 August 2008	(444)

## 20. Reconciliation of movements in shareholders' deficit

	2008 £'000	2007 £'000
(Loss)/profit for the year	(168)	42
Share based payments	(8)	29
Net change in shareholders' funds	(176)	71
Opening shareholders' funds	(268)	(339)
Closing shareholders' funds	(444)	(268)

# Fulcrum Pharma (Europe) Limited

## 21. Financial Commitments

At 31 August 2008 the Company had annual commitments under operating leases expiring as set out below:

	2008 £'000	2007 £'000
<b>Operating leases which expire</b>		
<b>Land and Buildings</b>		
In one year or less	34	—
In two to five years inclusive	170	121
	204	121

## 22. Pensions

The Company makes contributions to individual personal pension plans. The total charge for the year was £275,000 (2007: £222,000). There are unpaid contributions outstanding at the year end of £10,000 (2007: £nil).

## 23. Share Based Payments

Fulcrum Pharma plc, the ultimate parent company, operates in regard to employees of the Company various share options schemes including an Employee Share Ownership Plan under which options are exercisable at a price equal to middle market quotation from the Daily Official List of the London Stock Exchange for the trading day immediately preceding the date of grant. The various schemes allow for granting of share options up to 15% of the issued ordinary share capital except for the grant of options over a maximum of 20,000,000 shares to Directors and senior employees which was approved at the Group's Extraordinary General Meeting on 12 April 2007. Grants are normally made within 42 days following the announcement of final or interim results of the Group. No payment is required for the grant of the share option. Performance criteria only apply to the grant of the maximum of 20,000,000 shares approved on 12 April 2007. The usual minimum vesting period is three years but options can vest earlier in certain circumstances such as staff incentive arrangements in newly acquired subsidiaries, or events of redundancy or death.

### FRS 20

Details of the share options outstanding during the year that were issued after 7 November 2002 by the Group in regard to employees of the company are as follows:

	2008	Weighted Average Exercise Price Pence	2007	Weighted Average Exercise Price Pence
	Number		Number	
Outstanding at 1 September	9,290,932	6.56	6,529,898	4.91
Granted during the year	450,000	3.44	3,850,000	8.94
Lapsed	(250,000)	6.40	(818,966)	5.12
Transferred from fellow subsidiaries.				
- Quadramed	8,005,453	5.74		
- Unicus	3,645,663	1.00		
<b>Outstanding at 31 August</b>	<b>21,142,048</b>	<b>5.22</b>	<b>9,290,932</b>	<b>6.56</b>
<b>Exercisable at 31 August</b>	<b>6,264,621</b>	<b>3.15</b>	<b>3,012,932</b>	<b>5.53</b>

As set out in the Directors' report, the employees of Quadramed and Unicus were transferred to the Company on 1 April 2008. The related share options were also transferred on that date.

# Fulcrum Pharma (Europe) Limited

## 23. Share based payments (continued)

The options outstanding at the end of the year have a weighted average contractual life of 7.92 years (2007: 8.43 years) and have a range of exercise prices from 1p to 12p. The estimated fair values of options granted since 7 November 2002 were calculated using the Black-Scholes option pricing model with the following inputs and subsequent assumptions:

Grant date	1 Sep 2003	16 Aug 2004	1 Sep 2004	10 Nov 2005	9 May 2006
Share price at grant date	7.00p	5.00p	6.00p	3.75p	4.00p
Exercise price	7.00p	5.00p	6.00p	3.75p	4.00p
Number of employees	10	16	1	2	7
Shares under option	850,000	2,981,898	200,000	750,000	1,028,000
Vesting period (years)	3	3	3	3	3
Expected volatility	68%	61%	62%	56%	52%
Option life (years)	7	7	7	7	7
Expected life (years)	3	3	3	3	3
Risk free rates	4.81%	5.05%	5.00%	4.64%	4.76%
Expected dividends	—	—	—	—	—
Possibility of ceasing employment before vesting	30%	30%	30%	30%	30%
Expectations of meeting performance criteria	—	—	—	—	—
Fair value per option	3.38p	2.25p	2.71p	1.57p	1.59p

Grant date	12 Jun 2006	23 May 2007	22 Jun 2007	22 Jun 2007	22 Jun 2007
Share price at grant date	3.875p	4.00p	4.00p	4.00p	4.00p
Exercise price	3.875p	4.00p	6.00p	6.00p	12.00p
Number of employees	3	1	1	1	1
Shares under option	450,000	50,000	950,000	950,000	1,900,000
Vesting period (years)	3	3	2	3	3
Expected volatility	51%	47%	41%	48%	48%
Option life (years)	7	7	8	7	7
Expected life (years)	3	3	2	3	3
Risk free rates	4.59%	5.55%	5.77%	5.75%	5.75%
Expected dividends	—	—	—	—	—
Possibility of ceasing employment before vesting	30%	30%	30%	30%	30%
Expectations of meeting performance criteria	—	—	100%	100%	100%
Fair value per option	1.49p	1.51p	0.51p	1.00p	0.34p

Grant date	30 Nov 2007	28 May 2008
Share price at grant date	3.375p	3.50p
Exercise price	3.375p	3.50p
Number of employees	1	2
Shares under option	200,000	250,000
Vesting period (years)	3	3
Expected volatility	45%	41%
Option life (years)	7	7
Expected life (years)	3	3
Risk free rates	4.64%	4.64%
Expected dividends	—	—
Possibility of ceasing employment before vesting	30%	30%
Expectations of meeting performance criteria	—	—
Fair value per option	1.19p	1.16p

No other conditions were included in the fair value calculations.

The expected volatility is based on historical volatility over the expected life period. The expected life is the average expected period to exercise based on historical experience. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The Company recognised a total credit of £8,000 (2007: charge of £29,000) related to equity settled share-based payment transactions during the year.

# Fulcrum Pharma (Europe) Limited

## 23. Share based payments (continued)

Performance criteria attached to the three tranches of options granted on 22 June 2007 require that the Group's annual profit before tax and exceptional items exceed £1.5m.

### Share options granted prior to 7 November 2002

The movement in share options granted prior to 7 November 2002 is as follows:

<u>Subscription price per share</u>	<u>Number of shares at 31 Aug 2007 &amp; 2006</u>	<u>Periods within which exercisable</u>
6.75p	2,280,823	4 July 2003 – 4 July 2010

The performance criteria of the share options at 6.75p have been met in the year ended 31 August 2001.

## 24. Contingent liability

The Company has recognised cumulative grant income of £110,000 in respect of capital expenditure and job creation activities. The grant may be required to be repaid if the Company does not meet the milestones specified in the grant offer letters. The Directors of the Company believe that it is unlikely that any of the grant income received will need to be repaid in the foreseeable future.

## 25. Ultimate parent undertaking

The Company is a wholly owned subsidiary of Fulcrum Pharma plc. Fulcrum Pharma plc has included the Company in its group accounts which may be obtained from Hemel One, Boundary Way, Hemel Hempstead, Hertfordshire HP2 7YU.

## 26. Related party transactions

The company has taken advantage of the exemption available to parent companies under FRS 8, "Related party disclosures", where transactions and balances between group companies have been eliminated on consolidation, not to disclose details of those transactions.