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**Fulcrum Pharma (Europe) Limited**  
**Annual report**  
**for the year ended 31 August 2009**

Registered Number 03735819

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# **Fulcrum Pharma (Europe) Limited**

## **Annual report**

### **for the year ended 31 August 2009**

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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 2009**

The Directors present their report and the audited financial statements for the year ended 31 August 2009

### **Results**

The loss after taxation for the year amounted to £407,000 (2008 £168,000)

### **Dividends**

No interim dividend (2008 £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

The profit and loss account for the year is set out on page 5. Fee sales have increased by 45% over the previous year, reflecting the increased size of the integrated organisation and the investment in selling expenses. 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. Reorganisation costs of £195,000 were incurred during the year. The operating loss of £204,000 for the year compares to a profit of £43,000 in the previous year. A provision for diminution in the value of a fixed asset investment of £99,000 has also been recognised in the 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

Dr J A Devlin

Mr CGGS Smith (resigned 8 June 2009)

Mr B K Knight (appointed 8 June 2009)

The position of Company Secretary was held by Mrs L Wotherspoon until 22 December 2008, at which time she resigned and Mr William Catlin-Hallett was appointed in her place on the same day.

None of the Directors had an interest in any contract of significance to which the Group was party during the year ended 31 August 2009.

### **Directors' responsibilities statement**

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 Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,

# Fulcrum Pharma (Europe) Limited

## Directors' responsibilities statement (continued)

- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Charitable and political contributions

The Company made no charitable contributions during the year (2008: £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  
4 December 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 2009 which comprise the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of Directors and auditors**

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 August 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Accounting Standards as applied in accordance with the provisions of the Companies Act 2006, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

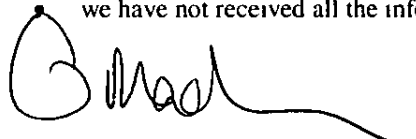
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



**Owen Mackney (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
10 Bricket Road  
St Albans  
AL1 3JX  
4 December 2009

## **Fulcrum Pharma (Europe) Limited**

### **Profit and Loss Account for the Year Ended 31 August 2009**

	Note	2009 £'000	2008 £'000
<b>Turnover</b>	2	<b>9,720</b>	6,725
<b>Cost of sales</b>		<b>(6,379)</b>	(4,212)
<b>Gross profit</b>		<b>3,341</b>	2,513
Selling expenses		(610)	(467)
Administrative expenses		(2,935)	(2,003)
<b>Operating (loss) / profit</b>	3	<b>(204)</b>	43
Interest receivable and similar income	6	8	13
Interest payable and similar charges	7	(129)	(125)
Profit on sale of fixed asset investment	8	18	—
Provision for diminution in value of investment	9	(100)	(99)
<b>Loss on ordinary activities before taxation</b>		<b>(407)</b>	(168)
Tax on loss on ordinary activities	10	—	—
<b>Loss for the year</b>	18	<b>(407)</b>	(168)

All amounts above are derived from continuing operations

There are no recognised gains or losses other than those shown above and accordingly no statement of total recognised gains and losses is presented

# Fulcrum Pharma (Europe) Limited

## Balance Sheet as at 31 August 2009

	Note	2009 £'000	2008 £'000
<b>Fixed assets</b>			
Tangible assets	11	450	533
Investments	12	99	371
		<b>549</b>	<b>904</b>
<b>Current assets</b>			
Debtors	13	4,680	5,521
Cash at bank and in hand		685	1,143
		<b>5,365</b>	<b>6,664</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(4,237)</b>	<b>(5,512)</b>
<b>Net current assets</b>		<b>1,128</b>	<b>1,152</b>
<b>Total assets less current liabilities</b>		<b>1,677</b>	<b>2,056</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(2,500)</b>	<b>(2,500)</b>
<b>Net liabilities</b>		<b>(823)</b>	<b>(444)</b>
<b>Capital and reserves</b>			
Share capital	17	—	—
Profit and loss account	18	(823)	(444)
<b>Shareholders' deficit</b>	18, 19	<b>(823)</b>	<b>(444)</b>

The financial statements on pages 5 to 19 were approved by the Board of Directors on 4 December 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 2009**

### **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 24). 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, 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

The Group issues equity-settled share 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 or credit is included within administrative expenses, with the corresponding 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.

# Fulcrum Pharma (Europe) Limited

## 2. Turnover

Analysis of turnover by geographical market is given below

	2009 £'000	2008 £'000
United Kingdom	3,673	2,185
Rest of Europe	3,407	2,245
North America	998	616
Japan	1,206	1,165
Rest of the world	436	514
	<b>9,720</b>	<b>6,725</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

## 3. Operating (loss) / profit

This is stated after charging

	2009 £'000	2008 £'000
Auditors' remuneration		
– fees payable to the Company's auditors for the audit of the financial statements	25	22
Depreciation of tangible fixed assets – owned assets	240	192
Foreign exchange gains through Profit and Loss	(162)	(109)
Income recognised in respect of Buncefield claim	—	(14)
Operating lease rentals		
Land and buildings	235	148

## 4. Directors' emoluments

	2009 £'000	2008 £'000
Basic salaries	—	—
Company contributions paid to money purchase pension schemes	—	—
	<b>—</b>	<b>—</b>
	2009 Number	2008 Number
Members of money purchase pension schemes	—	—

# Fulcrum Pharma (Europe) Limited

## 4. Directors' emoluments (continued)

### Highest paid Director

	2009 £'000	2008 £'000
Gross salary	—	—
Company contributions paid to money purchase pension schemes	—	—
	—	—

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

## 5. Staff costs

	2009 £'000	2008 £'000
Wages and salaries	4,461	3,592
Social security costs	533	409
Pension costs	420	282
Share option charge / (credit)	28	(8)
	5,442	4,275

The average number of employees, including executive Directors, during the year was

By activity	2009 Number	2008 Number
Project management	54	36
Sales and administration	22	14
	76	50

## 6. Interest receivable and similar income

	2008 £'000	2007 £'000
Bank interest	8	13
	8	13

## **Fulcrum Pharma (Europe) Limited**

### **7. Interest payable and similar charges**

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
On loans from parent Company	<b>125</b>	125
On bank loans and overdrafts	<b>1</b>	—
Other interest payable	<b>3</b>	—
	<b>129</b>	<b>125</b>

### **8. Profit on sale of investment**

The Company sold its entire shareholding in Addex Pharmaceuticals SA for £190,000 realising a profit of £18,000 on the original cost

### **9. Provision for diminution in value of investments**

A provision for diminution in value of £100,000 (£2008 £99,000) has been recognised in respect of the investment in NanoCarrier Co Limited and this investment is now held at £99,000. The Directors are of the opinion that this represents a permanent diminution of the value of the investment.

### **10. Tax on loss on ordinary activities**

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
<b>Current taxation</b>		
UK Corporation tax	—	—
<b>Deferred taxation</b>		
Deferred taxation (see note 16)	—	—
<b>Current tax charge for the year</b>	<b>—</b>	<b>—</b>

# Fulcrum Pharma (Europe) Limited

## 10. Tax on loss on ordinary activities (continued)

### Current taxation

The tax charge for the year differs from the standard rate of corporation tax in the UK of 28% (2008 30%)  
The differences are explained below

	2009 £'000	2008 £'000
<b>Loss on ordinary activities before taxation</b>	<b>(407)</b>	<b>(168)</b>
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 28% (2008 30%)	(114)	(50)
Effects of		
Expenses not deductible for tax purposes	34	28
Depreciation in excess of capital allowances	66	57
Research & development tax credits	(172)	(159)
Group relief surrendered without payment	—	63
Losses carried forward	186	61
<b>Current tax charge for year</b>	<b>—</b>	<b>—</b>

## 11. Tangible fixed assets

	Leasehold Improvements £'000	Computers and office fixtures and fittings £'000	Total £'000
<b>Cost</b>			
At 1 September 2008	168	1,226	1,394
Additions	—	157	157
Disposals	—	(355)	(355)
<b>At 31 August 2009</b>	<b>168</b>	<b>1,028</b>	<b>1,196</b>
<b>Depreciation</b>			
At 1 September 2008	62	799	861
Charge for the year	32	208	240
Disposals	—	(355)	(355)
<b>At 31 August 2009</b>	<b>94</b>	<b>652</b>	<b>746</b>
<b>Net book value</b>			
<b>At 31 August 2009</b>	<b>74</b>	<b>376</b>	<b>450</b>
At 31 August 2008	106	427	533

# Fulcrum Pharma (Europe) Limited

## 12. Investments

	2009 £'000	2008 £'000
<b>Cost</b>		
Listed investments		
Addex Pharmaceuticals SA	—	172
NanoCarrier Co Limited	298	298
Provision for diminution in value of NanoCarrier investment	(199)	(99)
	<b>99</b>	<b>371</b>

Listed investments The Company owned a 0.19% stake in Addex Pharmaceuticals SA. During the year the Company sold its entire shareholding in Addex Pharmaceuticals SA (see Note 8).

The Company owns a 0.4% investment in NanoCarrier Co Limited (2008: 0.4%). The market value of the investment at 31 August 2009 was £60,000. The Company has recognised a permanent diminution in value of £199,000 against the value of the investment and this investment is now held at £99,000 (see Note 9).

## 13. Debtors

	2009 £'000	2008 £'000
Trade debtors	1,499	2,101
Amount owed by group undertaking	1,998	1,986
Other debtors	99	263
Corporation tax recoverable	3	1
Prepayments and accrued income	1,081	1,170
	<b>4,680</b>	<b>5,521</b>

# Fulcrum Pharma (Europe) Limited

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

	2009 £'000	2008 £'000
Trade creditors	644	1,011
Amounts owed to group undertaking	2,008	2,221
Other taxes and social security costs	151	165
Other creditors	47	55
Accruals and deferred income	1,387	2,060
	<b>4,237</b>	<b>5,512</b>

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

	2009 £'000	2008 £'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.

## 16. Provisions for liabilities and charges

The movement in the deferred taxation provision is as follows

	2009 £'000	2008 £'000
At 1 September 2008 and at 31 August 2009	—	—

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

	Amount provided 2009 £'000	Amount provided 2008 £'000	Amount unprovided 2009 £'000	Amount unprovided 2008 £'000
Tax effect of timing differences because of				
– Difference between capital allowances and depreciation	—	—	154	99
– Tax losses	—	—	557	351
	—	—	<b>711</b>	<b>450</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% (2008: 28%).



# Fulcrum Pharma (Europe) Limited

## 17. Share capital

	2009 Number	2009 £'000	2008 Number	2008 £'000
Authorised				
Ordinary shares of £1 each	1,000	1	1,000	1
	2009 Number	2009 £'000	2008 Number	2008 £'000
Authorised, called up and fully paid				
Ordinary shares of £1 each	375	—	375	—

## 18. Reserves

	Profit and loss account £'000
At 1 September 2008	(444)
Options compensation credit	28
Loss for the year	(407)
At 31 August 2009	(823)

## 19. Reconciliation of movements in shareholders' deficit

	2009 £'000	2008 £'000
Loss for the year	(407)	(168)
Net (credit) / charge in respect of share option	28	(8)
Net change in shareholders' funds	(379)	(176)
Opening shareholders' deficit	(444)	(268)
Closing shareholders' deficit	(823)	(444)

## Fulcrum Pharma (Europe) Limited

### 20. Commitments under operating leases to pay rentals for the next year

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

	2009 £'000	2008 £'000
<b>Operating leases which expire</b>		
<b>Land and Buildings</b>		
In one year or less	39	34
In two to five years inclusive	172	170
	211	204

### 21. Pensions

The Company makes contributions to individual personal pension plans. The total charge for the year was £419,000 (2008 £275,000). There are unpaid contributions outstanding at the year end of £Nil (2008 £10,000).

### 22. Share Based Payments

The Group, in relation to the employees of the Company, operates 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:

	2009		2008	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at 1 September	21,142,048	5.22p	9,290,932	6.56p
Granted during the year	4,650,000	2.97p	450,000	3.44p
Lapsed during the year	(1,818,219)	2.14p	(250,000)	6.40p
Exercised during the year	(520,686)	1.00p	—	—
Transferred from fellow subsidiaries				
– Quadramed	—	—	8,005,453	5.74p
– Unicus	—	—	3,645,663	1.00p
<b>Outstanding at 31 August</b>	<b>23,453,143</b>	<b>5.11p</b>	<b>21,142,048</b>	<b>5.22p</b>
<b>Exercisable at 31 August</b>	<b>11,753,143</b>	<b>3.74p</b>	<b>6,264,621</b>	<b>3.15p</b>

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

## 22. Share based payments (continued)

The options outstanding at the end of the year have a weighted average contractual life of 7.50 years (2008 7.92 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	8 Feb 2006	8 Feb 2006
Share price at grant date	7.00p	5.00p	6.00p	3.75p	3.75p	3.75p
Exercise price	7.00p	5.00p	6.00p	3.75p	1.00p	1.00p
Number of employees	10	16	1	6	4	4
Shares under option	850,000	2,981,898	200,000	750,000	1,818,183	1,818,180
Vesting period (years)	3	3	3	3	0	2
Expected volatility	68%	61%	62%	56%	51%	52%
Option life (years)	7	7	7	7	9	8
Expected life (years)	3	3	3	3	1	2
Risk free rates	4.81%	5.05%	5.00%	4.64%	4.15%	4.18%
Expected dividends	—	—	—	—	—	—
Possibility of ceasing employment before vesting	30%	30%	30%	30%	30%	30%
Expectations of meeting performance criteria	n/a	n/a	n/a	n/a	n/a	n/a
Fair value per option	3.38p	2.25p	2.71p	1.52p	2.79p	2.84p

Grant date	9 Feb 2006	9 May 2006	12 Jun 2006	13 Nov 2006	23 May 2007	23 May 2007
Share price at grant date	3.75p	4.00p	3.875p	3.75p	4.00p	4.00p
Exercise price	3.75p	4.00p	3.875p	3.75p	1.00p	1.00p
Number of employees	1	10	4	5	35	35
Shares under option	800,000	1,558,000	500,000	480,000	2,062,318	2,062,317
Vesting period (years)	3	3	3	3	1	2
Expected volatility	57%	52%	51%	47%	37%	40%
Option life (years)	7	7	7	7	9	8
Expected life (years)	3	3	3	3	1	2
Risk free rates	4.21%	4.76%	4.59%	4.42%	5.67%	5.62%
Expected dividends	—	—	—	—	—	—
Possibility of ceasing employment before vesting	30%	30%	30%	30%	30%	30%
Expectations of meeting performance criteria	n/a	n/a	n/a	n/a	n/a	n/a
Fair value per option	1.67p	1.59p	1.49p	1.35p	3.06p	3.11p

## Fulcrum Pharma (Europe) Limited

### 22. Share based payments (continued)

Grant date	23 May 2007	22 Jun 2007	22 Jun 2007	22 Jun 2007	30 Nov 2007	28 May 2008
Share price at grant date	4 00p	4 00p	4 00p	4 00p		
Exercise price	4 00p	6 00p	6 00p	12 00p	3 375p	3 50p
Number of employees	5	2	2	2	3 375p	3 50p
Shares under option	1,050,000	1,900,000	1,900,000	3,800,000	3	2
Vesting period (years)	3	2	3	3	350,000	250,000
Expected volatility	47%	41%	48%	48%	3	3
Option life (years)	7	8	7	7	45%	41%
Expected life (years)	3	2	3	3	7	7
Risk free rates	5 55%	5 77%	5 75%	5 75%	3	3
Expected dividends	—	—	—	—	4 64%	4 64%
Possibility of ceasing employment before vesting	30%	30%	30%	30%	—	—
Expectations of meeting performance criteria	n/a	100%	100%	100%	30%	30%
Fair value per option	1 51p	0 51p	1 00p	0 34p	n/a	n/a

Grant date	28 Nov 2008	5 May 2009	13 Jul 2009
Share price at grant date	3 125p	4 00p	2 125p
Exercise price	3 125p	4 00p	2 125p
Number of employees	26	1	7
Shares under option	3,475,000	250,000	925,000
Vesting period (years)	3	1	3
Expected volatility	47%	60%	50%
Option life (years)	7	9	7
Expected life (years)	3	1	3
Risk free rates	3 37%	2 59%	3 08%
Expected dividends	—	—	—
Possibility of ceasing employment before vesting	30%	30%	30%
Expectations of meeting performance criteria	n/a	n/a	n/a
Fair value per option	1 10p	0 20p	0 78p

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 charge of £28,000 (2008 credit of £8,000) related to equity settled share-based payment transactions during the year.

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

Subscription price per share	Number of shares at 31 Aug 2009 & 2008	Periods within which exercisable
6 75p	2,280,823	4 Jul 2003 – 4 Jul 2010

The performance criteria of the share options at 6 75p were met in the year ended 31 August 2001.

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## **Fulcrum Pharma (Europe) Limited**

### **23. 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 remote that any of the grant income received will need to be repaid in the foreseeable future.

### **24. 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, UK.

### **25. 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.