

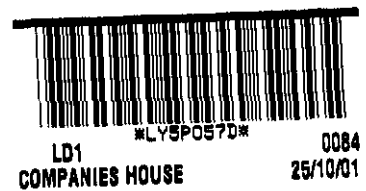


ARTHUR ANDERSEN

Gendaq Limited

Accounts for the year ended 31 December 2000 together with
directors' and auditors' reports

Registered number: 3756817



Directors' report

For the year ended 31 December 2000

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 December 2000.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of its profit or loss for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

Principal activities and business review

The company's principal activities during the year was that of biotechnology research and the development of therapeutics.

The directors expect the general level of activity to increase in the medium to long term.

Details of significant events since the balance sheet date are contained in note 15 of the accounts.

Results and dividends

The loss for the year was £1,018,609 (period ended 31 December 1999 - £210,309).

The directors do not recommend the payment of a dividend (1999 - £nil).

Directors' report (continued)

Directors and their interests

The directors who served during the year and their interests in the share capital of the company were as follows:

	1p Ordinary Shares
	30 December 1999 and 31 December 2000
Dr T Brears	100,000
Dr S Reeders	-
Dr Y Choo	100,000
Professor Sir Aaron Klug	30,000
Dr A Campbell	-
Mr F Phillips (Appointed 5 April 2000)	-

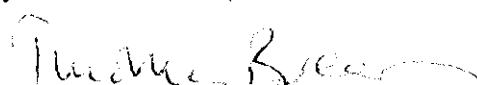
The 100,000 1p ordinary shares in which Dr Y Choo has an interest are owned by the Pizzicato Trust of which Dr Y Choo is the benefactor.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

90 Long Acre
London
WC2E 9TT

By order of the Board,



Dr T Brears
Director

27 June 2001

To the Shareholders of Gendaq Limited:

We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

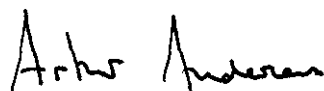
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 (b), Basis of Preparation, to the accounts concerning the Directors' plans to draw down on funds available to the company. In view of the significance of the fact that the preparation of the accounts assumes the funding is received, we consider that these disclosures should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Betjeman House
104 Hills Road
Cambridge
CB2 1LH

27 June 2001

Profit and loss account

For the year ended 31 December 2000

	Notes	Year to 31 December 2000 £	Period to 31 December 1999 (Note 17) £
Turnover	2	14,348	42,553
Operating expenses	3	(1,043,538)	(254,288)
Operating loss		(1,029,190)	(211,735)
Finance charges (net)	4	18,581	1,426
Loss on ordinary activities before taxation		(1,010,609)	(210,309)
Tax on loss on ordinary activities	7	(8,000)	-
Loss on ordinary activities after taxation, being retained loss for the period	5, 13	(1,018,609)	(210,309)

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains or losses in the year other than loss for the year, therefore no statement of recognised gains and losses has been included.

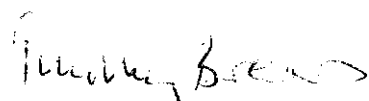
The company's results are all derived from continuing activities.

Balance sheet

31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	8	267,080	5,105
Current assets			
Debtors	9	71,373	45,338
Cash at bank and in hand		271,895	129,383
		343,268	174,721
Creditors: Amounts falling due within one year	10	(392,462)	(136,385)
Net current (liabilities) assets		(49,194)	38,336
Total assets less current liabilities		217,886	43,441
Creditors: Amounts falling due after more than one year	11	(193,051)	-
Net assets		24,835	43,441
Capital and reserves			
Called-up share capital	12	8,405	6,250
Share premium account	13	1,245,348	247,500
Profit and loss account	13	(1,228,918)	(210,309)
Shareholders' funds – all equity	14	24,835	43,441

The accounts were approved by the board of directors on 27 June 2001 and signed on its behalf by:



Dr T Brears

Director

27 June 2001

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and the previous period are as follows:

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Basis of Preparation

The directors have prepared these accounts on the going concern basis on the assumption that the Company is acquired shortly after the date of approval of these accounts.

The company has an arrangement with its existing investors under a subscription agreement signed in March 2000 such that, subject to the achievement of four technical milestones, the company is able to raise £3.8 million through the issue of further equity. As at 27 June 2001 the directors consider that the company has achieved three of the four milestones, enabling it to raise £2.85 million. The proceeds of such an issue would be sufficient to enable the company to meet its debts as they fall due for a period of at least one year from 27 June 2001. The financial statements do not include any adjustments that would result if the equity issue was not successful.

c) Research and development

Research and development expenditure is written off as incurred.

d) Tangible fixed assets

Tangible fixed assets are shown at cost, net of any provision for impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Plant and machinery	33.3% per annum
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Residual value is calculated on prices prevailing at the date of acquisition.

e) Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes, and trade discounts) of goods and services in the normal course of business.

f) Government grants

Government grants related to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Notes to accounts (continued)

1 Accounting policies (continued)

g) Cash flow statements

Under the provisions of Financial Reporting Standard No.1 (Revised) "Cash flow statements", the company has not prepared a cash flow statement because it is entitled to the exemptions available under Section 246 and 249 of the Companies Act 1985 for small companies when filing accounts with the Registrar of Companies.

h) Leases

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

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the year to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full term lease, in which case the shorter period is used.

i) Taxation

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

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

2 Turnover

Turnover relates to a contribution towards research costs from the European Union.

3 Operating expenses

	Year to 31 December 2000 £	Period to 31 December 1999 (Note 17) £
Administrative expenses	280,252	125,196
Research and development costs	763,286	129,092
	<u>1,043,538</u>	<u>254,288</u>

Notes to accounts (continued)

4 Finance charges

	Year to 31 December 2000 £	Period to 31 December 1999 (Note 17) £
<i>Investment income</i>		
Other interest receivable and similar income	26,470	1,426
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	290	-
Finance leases and hire purchase contracts	7,599	-
	7,889	-
Finance charges (net)	18,581	1,426

5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Year to 31 December 2000 £	Period to 31 December 1999 (Note 17) £
Depreciation		
- owned tangible fixed assets	3,444	551
- assets held under finance leases and hire purchase contracts	15,678	-
Auditors' remuneration in respect of audit fees	2,000	1,000
Research and development – current year expenditure	763,286	129,092
Operating lease rentals		
- plant and machinery	17,924	8,766
- other	117,645	20,748

6 Staff costs

Particulars of employees (including executive directors) are as shown below:

	Year to 31 December 2000 £	Period to 31 December 1999 (Note 17) £
Employee costs during the year amounted to:		
Wages and salaries	252,290	153,692
Social security costs	23,852	6,540

Notes to accounts (continued)

6 Staff costs (continued)

	Year to 31 December 2000 £	Period to 31 December 1999 (Note 17) £
Other pension costs	5,833	-
	<u>281,975</u>	<u>160,232</u>

The average monthly number of persons employed by the company (including executive directors) during the year was as follows:

	Year to 31 December 2000 Number	Period to 31 December 1999 (Note 17) Number
Research and development	3	3
Administrative	2	1
	<u>5</u>	<u>4</u>

Directors' remuneration:

Remuneration in respect of the directors of the company was as follows:

	Year to 31 December 2000 £	Period to 31 December 1999 (Note 17) £
Emoluments	<u>156,931</u>	<u>97,010</u>

7 Tax on loss on ordinary activities

	Year to 31 December 2000 £	Period to 31 December 1999 (Note 17) £
Corporation tax adjustment in respect of prior years	<u>8,000</u>	<u>-</u>

Notes to accounts (continued)

8 Tangible fixed assets

The movement in the year was as follows:

	Plant and machinery £
Cost	
At 1 January 2000	5,656
Additions	281,097
At 31 December 2000	<u>286,753</u>
Depreciation	
At 1 January 2000	551
Charge for period	19,122
At 31 December 2000	<u>19,673</u>
Net book value	
At 31 December 1999	<u>5,105</u>
At 31 December 2000	<u>267,080</u>

Tangible fixed assets include an amount of £260,889 net book value (1999 : £nil) in respect of assets held under finance leases.

9 Debtors

	2000 £	1999 £
VAT	32,953	2,785
Prepayments and accrued income	38,420	42,553
	<u>71,373</u>	<u>45,338</u>

Notes to accounts (continued)

10 Creditors: Amounts falling due within one year

	2000 £	1999 £
Obligations under finance leases and hire purchase contracts	70,425	-
Bank loans and overdrafts	63,542	-
Taxation and social security	19,788	3,845
Other creditors	46,441	115,991
Accruals	192,266	16,549
	<u>392,462</u>	<u>136,385</u>

11 Creditors : Amounts falling due after more than one year

	2000 £	1999 £
Obligations under finance leases and hire purchase contracts	<u>193,051</u>	<u>-</u>

12 Called-up share capital

	2000 £	1999 £
<i>Authorised</i>		
600,000 ordinary shares of 1p each	6,000	6,000
400,000 A ordinary shares of 1p each	4,000	4,000
1,250,000 B ordinary shares of 1p each	12,500	-
	<u>22,500</u>	<u>10,000</u>
<i>Allotted, called-up and fully paid</i>		
375,000 (1999 – 375,000) ordinary shares of 1p each	3,750	3,750
250,000 (1999 – 250,000) A ordinary shares of 1p each	2,500	2,500
215,518 (1999 – nil) B ordinary shares of 1p each	2,155	-
	<u>8,405</u>	<u>6,250</u>

On 31 March 2000 the company issued 215,518 B ordinary shares of 1p each for a cash consideration of £1,000,003.

Notes to accounts (continued)

13 Reserves

	Share premium account £	Profit and loss account £	Total £
At 1 January 2000	247,500	(210,309)	37,191
Retained loss for the period	-	(1,018,609)	(1,018,609)
Premium on issue of shares	997,848	-	997,848
At 31 December 2000	<u>1,245,348</u>	<u>(1,228,918)</u>	<u>16,430</u>

14 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Loss for financial period	(1,018,609)	(210,309)
New shares issued	<u>1,000,003</u>	<u>253,750</u>
Net (reduction in) addition to shareholders' funds	(18,606)	43,441
Opening shareholders' funds	<u>43,441</u>	<u>-</u>
Closing shareholders' funds	<u>24,835</u>	<u>43,441</u>

15 Lease commitments

The company has a commitment under an agreement with Medical Research Council Technology, for the provision of laboratory and office facilities and laboratory equipment.

This agreement is cancellable by giving three months notice.

The annual commitment under this agreement is £120,226 (1999 - £120,226), split between £105,402 (1999 - £105,402) for premises costs and £14,284 (1999 - £14,284) for equipment.

16 Subsequent events

On 10 January 2001, 204,742 £0.01 B ordinary shares were issued for a cash consideration of £950,002.

On 11 May 2001, 15,000 options were granted to each of Dr T Brears and Dr Y Choo under the Gendaq Ltd 2001 Enterprise Management Incentive Share Option Plan.

Notes to accounts (continued)

17 Related parties

During the year the company contracted for services with Medical Research Council Technology on an arms length basis to rent office and laboratory space, laboratory equipment, material and for the secondment of two staff.

£117,645 (1999 - £20,747) was levied for rental, £17,924 (1999 - £8,766) for equipment hire, £82,078 (1999 - £15,278) for materials, £91,861 (1999 - £20,751) for staff and £35,538 (1999 - £1,033) for other services

The Medical Research Council is a shareholder in the company.

18 Accounting period

The company was incorporated on 21 April 1999. The first accounting period was from 21 April 1999 to 31 December 1999.