

Company Registration No. 04487230

PURELY PROTEINS LIMITED

Report and Financial Statements

30 September 2005



**(- 11/07/2006)
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PURELY PROTEINS LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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PURELY PROTEINS LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR

Dr D Roach

SECRETARY

A H Jones

REGISTERED OFFICE

Highfield Court
Church Lane, Madingley
Cambridge
CB3 8AG

SOLICITORS

Taylor Wessing
Cambridge

BANKERS

National Westminster plc
Cambridge

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cambridge

PURELY PROTEINS LIMITED

DIRECTOR'S REPORT

The director presents his annual report and the audited financial statements for the year ended 30 September 2005.

ACTIVITY

The principal activity of the company is to provide a range of protein-based tools to aid drug discovery research and development.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company continued to develop its technology in the year but subsequent to the year end closed its science park research facility. The directors are continuing to pursue opportunities to exploit the company's intellectual property.

DIVIDENDS

The director does not recommend the payment of a dividend (2004 - nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year, together with their interests in the share capital of the company, are as follows:

	Ordinary shares	
	At 30 September 2005 Number	At 1 October 2004 Number
Dr D Bailey (resigned 30 June 2005)	14,973	29,946
Dr D Parry-Smith (resigned 29 November 2005)	29,946	29,946
Professor C Lowe (resigned 29 November 2005)	25,668	25,668
Mr S Noar (resigned 29 November 2005)	-	-
Dr D Roach	-	-
Dr D Stone (resigned 29 November 2005)	-	-
Mr M Burton (resigned 15 March 2006)	-	-

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Director
and signed on his behalf



Secretary

19 July 2006

PURELY PROTEINS LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

United Kingdom company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the director is 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.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PURELY PROTEINS LIMITED

We have audited the financial statements of Purely Proteins Limited for the year ended 30 September 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the director and auditors

As described in the statement of director's responsibilities, the company's director is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the director's report is not consistent with the financial statements, if 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 director's remuneration and transactions with the company is not disclosed.

We read the director's report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the director 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the company's future. The financial statements are prepared on a going concern basis, the validity of which depends on the successful outcome of current discussions regarding the exploitation of the company's intellectual property rights. In view of the significance of this uncertainty we consider it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and
Registered Auditors

Cambridge

24 July 2006

PURELY PROTEINS LIMITED

PROFIT AND LOSS ACCOUNT **Year ended 30 September 2005**

	Note	2005 £	2004 £
TURNOVER	1	200,664	2,936
Operating expenses		<u>(1,234,524)</u>	<u>(847,433)</u>
OPERATING LOSS	4	(1,033,860)	(844,497)
Interest receivable		<u>21,794</u>	<u>9,248</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,012,066)	(835,249)
Tax on loss on ordinary activities	5	<u>49,297</u>	<u>94,167</u>
RETAINED LOSS FOR THE FINANCIAL YEAR TRANSFERRED FROM RESERVES	13	<u>(962,769)</u>	<u>(741,082)</u>

All results relate to continuing operations.

There are no recognised gains and losses for the current financial year and preceding financial period other than the loss of £962,769 (2004 - loss of £741,082) shown above. Accordingly, no statement of total recognised gains and losses is given.

PURELY PROTEINS LIMITED

BALANCE SHEET 30 September 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Intangible assets	6	18,399	35,382
Tangible assets	7	22,700	58,762
Investments	8	1	1
		<u>41,100</u>	<u>94,145</u>
CURRENT ASSETS			
Debtors	9	90,626	322,765
Investments	10	-	650,000
Cash at bank and in hand		34,506	217,889
		<u>125,132</u>	<u>1,190,654</u>
CREDITORS: amounts falling due within one year	11	<u>(215,858)</u>	<u>(371,656)</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(90,726)</u>	<u>818,998</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(49,626)</u>	<u>913,143</u>
CAPITAL AND RESERVES			
Called up share capital	12	2,745	2,745
Share premium	13	1,674,997	1,674,997
Profit and loss account	13	<u>(1,727,368)</u>	<u>(764,599)</u>
EQUITY SHAREHOLDERS' (DEFICIT) FUNDS	14	<u>(49,626)</u>	<u>913,143</u>

These financial statements were approved by the Director on

19 July 2006



Director

PURELY PROTEINS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover comprises the fees earned from the sale of licences of software, commission earned in the ordinary course of business and consultancy fees. All turnover excludes value added tax.

Fees from licences of software are recognised over the period to which the licence relates. Revenue is recognised on consultancy when provided.

Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement in accordance with Financial Reporting Standard No. 1 (revised) on the basis that it is a small company.

Intangible fixed assets

Intangible fixed assets, comprising intellectual property, are stated at cost and amortised in equal annual instalments over a period of 3 years which is its estimated useful economic life. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is provided on all 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 life as follows:

Leasehold property	100%
Office equipment	4 years
Laboratory equipment	4 years
Computer equipment and software	3 years

Provision is made for any impairment.

Deferred taxation

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. *Deferred tax assets and liabilities are not discounted.*

Research and development expenditure

Research and development costs are charged to the profit and loss account in the year in which they are incurred.

Pension

The company pays contributions to the personal pension schemes of employees. Contributions are charged to the profit and loss account when they become due.

PURELY PROTEINS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

2. GOING CONCERN

The company has a net deficit of £49,626 at 30 September 2005 and has an additional loan of £375,000 outstanding (note 16) drawn down in October 2005. The company closed its science park research facility in December 2005 and the director is actively seeking alternative means of exploiting the company's intellectual property. The company is reliant on the support of its loanholders while these avenues are explored.

On the basis of the continuing support of the loanholders, the director considers that the company has sufficient cash to meet its operational costs for the foreseeable future which have been significantly reduced post year end whilst the future of the company is determined. The financial statements have therefore been prepared on a going concern basis and the financial statements do not include any adjustments which might arise from the inability to exploit the company's intellectual property.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2005 £	2004 £
Directors' remuneration		
Fees	72,002	41,125
Emoluments	158,746	148,859
Compensation for loss of office	32,250	-
	<u>262,998</u>	<u>189,984</u>
Highest paid director		
Remuneration	72,836	83,189
Loss of office	32,250	-
	<u>105,086</u>	<u>83,189</u>
	Number	Number
Number of directors for whom personal pension contributions paid	<u>2</u>	<u>2</u>
Fees include sums payable to investors of £25,001 (2004 - £13,125).		
Average number of persons employed		
Research and development	7	6
Administration and management	4	5
	<u>11</u>	<u>11</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	597,721	382,116
Social security costs	53,316	42,453
Pension costs	23,047	27,093
	<u>674,084</u>	<u>451,662</u>

PURELY PROTEINS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

4. OPERATING LOSS

	2005 £	2004 £
Operating loss is after charging:		
Depreciation on owned assets	23,121	8,366
Amortisation	16,983	15,568
Auditors' remuneration	6,500	2,000
	<u> </u>	<u> </u>

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2005 £	2004 £
Current taxation		
United Kingdom corporation tax	-	-
Corporation tax repayable	(49,297)	(87,394)
Adjustment in respect of prior period	-	(6,773)
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	<u>(49,297)</u>	<u>(94,167)</u>

The prior period adjustment reflects the surrender of losses under the research and development tax credit scheme.

The standard rate of corporation tax for the year, based on the UK standard rate of corporation tax is 19%. The actual tax credit for the current year and the previous period differs from the standard rate for the reasons set out in the following reconciliation:

	2005 £	2004 £
Loss on ordinary activities before tax	(1,012,066)	(835,249)
	<u> </u>	<u> </u>
Tax on loss on ordinary activities at standard rate	(192,292)	(158,697)
Factors affecting charge for the year:		
Capital allowances in deficit (excess) of depreciation	7,673	(5,941)
Carry forward of tax losses	144,627	85,052
Short term timing difference	(1,540)	2,086
Research and development uplift	(19,513)	(34,593)
Research and development claim difference in tax rate	9,243	16,386
Expenses not deductible for tax purposes	2,505	8,313
Adjustments in respect of prior years	-	(6,773)
	<u> </u>	<u> </u>
Total actual amount of current tax	<u>(49,297)</u>	<u>(94,167)</u>

Analysis of deferred tax balances

	Provided		Not provided	
	2005 £	2004 £	2005 £	2004 £
Accelerated capital allowances	-	6,063	(1,610)	-
Losses	-	(6,063)	(233,357)	(82,666)
Short term timing difference	-	-	(546)	(2,086)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	-	(235,513)	(84,752)

The unprovided deferred tax asset will be recoverable against future profits from the same trade.

PURELY PROTEINS LIMITED

NOTES TO THE ACCOUNTS Year ended 30 September 2005

6. INTANGIBLE FIXED ASSETS

	Intellectual property £
Cost	
At 1 October 2004 and 30 September 2005	50,950
Amortisation	
At 1 October 2004	15,568
Charge in year	16,983
At 30 September 2005	32,551
Net book value	
At 30 September 2005	18,399
At 30 September 2004	35,382

The intangible fixed asset relates to the assignment of intellectual property rights to the company (note 15).

7. TANGIBLE FIXED ASSETS

	Leasehold property £	Office equipment £	Laboratory equipment £	Computer equipment and software £	Total £
Cost					
At 1 October 2004	-	2,357	43,851	21,147	67,355
Additions in year	1,760	948	12,677	3,009	18,394
At 30 September 2005	1,760	3,305	56,528	24,156	85,749
Depreciation					
At 1 October 2004	-	472	3,589	4,532	8,593
Charge in year	1,417	741	13,279	7,684	23,121
Impairment provision	343	1,380	20,314	9,298	31,335
At 30 September 2005	1,760	2,593	37,182	21,514	63,049
Net book value					
At 30 September 2005	-	712	19,346	2,642	22,700
At 30 September 2004	-	1,885	40,262	16,615	58,762

An impairment provision has been made to reduce the net book value of tangible fixed assets to the estimated recoverable amount at the balance sheet date.

PURELY PROTEINS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

8. INVESTMENTS HELD AS FIXED ASSETS

The company acquired one £1 share in Chemical Proteomics Limited on 14 November 2003. Chemical Proteomics Limited, a dormant company incorporated in England and Wales, has share capital and reserves of £1. The share acquired was transferred for nil consideration from Dr D Bailey.

9. DEBTORS

	2005 £	2004 £
Trade debtors	-	202,236
Other debtors	60,314	102,123
Prepayments and accrued income	30,312	18,406
	<u>90,626</u>	<u>322,765</u>

All amounts are due within one year.

10. CURRENT ASSET INVESTMENT

	2005 £	2004 £
Cash held on deposit	<u>-</u>	<u>650,000</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Trade creditors	70,228	63,563
Other taxes and social security	12,268	15,768
Other creditors	2,876	11,577
Accruals and deferred income	130,486	280,748
	<u>215,858</u>	<u>371,656</u>

Other creditors comprises pension contributions payable by the company.

PURELY PROTEINS LIMITED

NOTES TO THE ACCOUNTS Year ended 30 September 2005

12. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised		
155,000 ordinary shares of 1p each	1,550	1,550
259,711 'A' ordinary shares of 1p each	2,597	2,597
	<u>4,147</u>	<u>4,147</u>
Called up, allotted and fully paid		
103,004 ordinary shares of 1p each	1,030	1,030
171,507 'A' ordinary shares of 1p each	1,715	1,715
	<u>2,745</u>	<u>2,745</u>

The ordinary shares rank pari passu in respect of all other types of ordinary shares. On winding up of the company the 'A' ordinary shares have preference over the ordinary shares.

13. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Profit and loss account £	Total £
At 1 October 2004	1,674,997	(764,599)	910,398
Loss for the year	-	(962,769)	(962,769)
At 30 September 2005	<u>1,674,997</u>	<u>(1,727,368)</u>	<u>(52,371)</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT) FUNDS

	2005 £	2004 £
Loss attributable to member of the company	(962,769)	(741,082)
Issue of shares (net)	-	1,676,650
Net (reduction in) addition to shareholders' funds	<u>(962,769)</u>	<u>935,568</u>
Opening shareholders' funds (deficit)	913,143	(22,425)
Closing shareholders' (deficit) funds	<u>(49,626)</u>	<u>913,143</u>

PURELY PROTEINS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

15. RELATED PARTY TRANSACTIONS

Dr C Bailey is the wife of Dr D Bailey. During the period, Dr C Bailey provided accountancy services to the company of £2,267 (2004 - £3,688). £nil (2004 - £350) is included in creditors at the year end.

On 5 December 2002, Dr D Parry-Smith, a director of the company, assigned the intellectual property rights of the TargetBASE licence to the company. Under an agreement dated 17 November 2003, 5,000 ordinary shares in the company were issued to Biofocus plc and a further 5,000 ordinary shares were transferred to Biofocus plc as consideration for the assignment of this intellectual property. Consideration for the shares issued was valued at £50,950 and capitalised in 2004.

16. POST BALANCE SHEET EVENTS

In October 2005 a convertible interest free loan of £375,000 advanced by shareholders was drawn down by the company. The loan does not bear interest but is repayable together with a premium equivalent to three times the balance of the loan by 1 March 2006. Interest at 4% over LIBOR is due on the balance outstanding after the due date. The loan is convertible by way of capitalisation into fully paid B ordinary shares of £0.01 which would have preferred rights over the existing classes of shares in issue.

In December 2005 the company closed its research facility on the Cambridge Science Park and staff employed were made redundant.