Unaudited Abbreviated Accounts
Lectus Therapeutics Limited

For the year ended 31 July 2012

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Registered number: 04562659

Abbreviated Accounts

Company Information

Directors	Dr Roland Kozlowski Mr Angus Hone
Company secretary	Mr Simon Wallwork
Company number	04562659
Registered office	1 Portland Street Manchester M1 3BE
Accountants	Grant Thornton UK LLP Chartered Accountants Grant Thornton House 202 Silbury Boulevard Milton Keynes MK9 1LW
Bankers	National Westminster Bank Plc Conqueror House Chivers Way Vision Park Histon Cambridge CB24 9NL

Lectus Therapeutics Limited
Registered number: 04562659

Abbreviated Balance Sheet

As at 31 July 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Intangible assets	2		**3,259**		40,655
Tangible assets	3		**-**		5
			3,259		40,660
Current assets					
Debtors		**21,236**		26,752	
Cash at bank		**43,817**		102,008	
		65,053		128,760	
Creditors: amounts falling due within one year	4	**(1,231,574)**		(1,291,576)	
Net current liabilities			**(1,166,521)**		(1,162,816)
Total assets less current liabilities			**(1,163,262)**		(1,122,156)
Creditors: amounts falling due after more than one year	5		**(3,438,949)**		(3,376,818)
Net liabilities			**(4,602,211)**		(4,498,974)
Capital and reserves					
Called up share capital	6		**61,839**		61,839
Share premium account			**31,458,435**		31,458,435
Profit and loss account			**(36,122,485)**		(36,019,248)
Shareholders' deficit			**(4,602,211)**		(4,498,974)

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 386 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 31 July 2012 and of its loss for the year then ended in accordance with the requirements of sections 394 and 395 of the Act and which otherwise comply with the requirements of the Companies Act 2006 relating to the financial statements so far as applicable to the company

The abbreviated accounts, which have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006, were approved and authorised for issue by the board and were signed on its behalf on 10th October 2012

Dr Roland Kozlowski
Director

The notes on pages 3 to 7 form part of these financial statements

Lectus Therapeutics Limited

Notes to the Abbreviated Accounts

For the year ended 31 July 2012

1. Accounting Policies

1 1 Basis of preparation of financial statements

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

1.2 Going concern

At the balance sheet date, liabilities exceed the assets of the company However, the directors are confident that the financial statements can be prepared on the going concern basis for the following reasons

- The nature and terms of the liabilities are such that they will not trigger solvency issues Wellcome Trust are unable to require repayment of the loan if it is likely to force the company into insolvency (see note 10) Accrued dividends on Preference Shares cannot be paid without the availability of distributable profits (see note 11)

- Cashflows prepared demonstrate that there are sufficient funds to continue operations until March 2014

- The company is actively trying to leverage value from existing assets

1 3 Turnover

Turnover is recognised when receipts from commercialisation of the company's intellectual property are probable Depending on the contractual terms with customers, typically turnover is recognised upon receipt of milestone payments where the timing of receipt is not determinable by the company until receipt of the payment Turnover that is contingent in nature is not recognised until the occurrence of the contingent event

1 4 Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at cost

Intellectual property and patents purchase by the company are amortised to £nil by equal annual installments over their useful economic lives of 5 years, or, where appropriate, over the remainder of 5 years from initial in-licensing

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Leasehold improvements	-	over the remaining period of the lease
Plant & machinery	-	3 years
Fixtures & fittings	-	3 years
Office equipment	-	3 years
Computer equipment	-	3 years

Notes to the Abbreviated Accounts
For the year ended 31 July 2012

1. Accounting Policies (continued)

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

1.7 Research and development

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred

1 8 Post retirement benefits

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

1.9 Interest bearing borrowings

Immediately after issue debt is stated at the value of consideration received on the issue of the capital instruments after deduction of issue costs The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount

Notes to the Abbreviated Accounts
For the year ended 31 July 2012

1. Accounting Policies (continued)

1.10 Classification of financial instruments issued by the company

Financial instruments issued by the Company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under the conditions that are potentially unfavourable to the Company,

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligations to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this decision is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy The finance cost on the financial liability component is correspondingly higher over the life of the instrument

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds

1 11 Deep discount bonds

Details of the company's deep discount bonds are included in note 4 The premium on deep discount bonds is accrued over the life of the bonds to the expected date of redemption The premium is charged to the profit and loss account as part of the 'Interest payable and similar charges' and the amount is included in creditors

The terms of the bonds are that early settlement causes the full redemption premium to apply for the purposes of calculating the interest to be received by bond holders

Notes to the Abbreviated Accounts

For the year ended 31 July 2012

2. Intangible fixed assets

	£
Cost	
At 1 August 2011 and 31 July 2012	**360,281**
Amortisation	
At 1 August 2011	**319,626**
Charge for the year	**37,396**
At 31 July 2012	**357,022**
Net book value	
At 31 July 2012	**3,259**
At 31 July 2011	40,655

3. Tangible fixed assets

	£
Cost	
At 1 August 2011	**79,691**
Disposals	**(71,351)**
At 31 July 2012	**8,340**
Depreciation	
At 1 August 2011	**79,686**
Charge for the year	**5**
On disposals	**(71,351)**
At 31 July 2012	**8,340**
Net book value	
At 31 July 2012	**-**
At 31 July 2011	5

Notes to the Abbreviated Accounts

For the year ended 31 July 2012

4. Creditors:
Amounts falling due within one year

The Wellcome Trust Loan of £1,029,866 (2011 £1,029,866) relates to a loan to fund a research programme Under the terms of the Loan agreement interest is accrued at NatWest Plc Base Rate plus 2% per annum The accumulated accrued interest at 31 July 2011 is £189,237 (2011 £160,558) After 24 August 2010 the loan became convertible into Ordinary Shares at the discretion of the Wellcome Trust subject to certain conditions which could be met by mutual consent including the sale of the company, a qualifying fundraising or a listing Repayment in cash is possible only by the company generating revenues Wellcome Trust are unable to require repayment if it is likely to force the company into insolvency, at that point the Trust can elect to convert into shares, or leave as a loan and then to demand repayment in future

5. Creditors:
Amounts falling due after more than one year

The dividends on the 'A' Preferred Shares were accrued on a fixed rate of 8% per annum based on the subscription price of £0 50 per share On 5 October 2010 all A Preferred Shares were converted into Ordinary Shares As a result the total accrued dividends remains a liability until such time as it can be discharged through a distribution The dividend on the 'A' Preferred Shares has a liquidation preference over Ordinary Shares

The Deep Discount Bond Instrument remains repayable on the earlier of the repayment date of 23 July 2013 and the date on which the company decides to repay those bonds and associated premium

Of the total £28,297 of Bonds remaining £10,000 were issued in March 2010, and the other £18,297 were issued between October 2008 and January 2009 Under the terms of the bonds the proceeds on redemption are 10 times the original subscription, accordingly the bonds create a liability of £100,000 and £182,967 respectively The premium on redemption, therefore, is 9 times the original subscription price This premium is accrued over the expected period of the bonds remaining outstanding The directors believe it is reasonable to expect sufficient further receipts before the end of the following financial period from the deal secured with UCB Pharma to repay these remaining bonds in full Accordingly the premium has been accrued, assuming a constant internal rate for each bond issue, the resultant effective rate of interest is 75 6% on the £18,297 and 200 0% on the remaining £10,000 of the outstanding bonds However the bonds can be repaid at any point up to and including 23 July 2013, if the bonds are redeemed on 23 July 2013 then the effective rate of interest is 75 6% and 200 0% respectively

6. Share capital

	2012	2011
	£	£
Authorised, allotted, called up and fully paid		
61,839,474 (2011 - 61,839,474) Ordinary shares of £0 001 each	**61,839**	61,839

7. Ultimate parent undertaking and controlling party

Lectus Therapeutics Limited is a wholly owned subsidiary of Lectus Limited Although the majority shareholder of Lectus Limited is Sofinnova Capital V FCPR, ultimate control remains with the Board of directors Strategy is defined and executed by the Board without involvement of, or interference from Sofinnova