

Excalibur Group Holdings Limited

Consolidated Financial Statements for the year ended 31 March 2011



Registered number: 4600706

Excalibur Group Holdings Ltd

Registered No	4600706
Directors	Prof Sir C Evans OBE (Chairman) J Curnock-Cook M Walton J Wakefield S Zahoor
Secretary	Excalibur Fund Managers Limited
Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Registered Office	Berkeley Square House Berkeley Square Mayfair London W1J 6BD

Excalibur Group Holdings Ltd

Directors' report

The directors present their report on the affairs of the group, together with the audited consolidated financial statements, for the year ended 31 March 2011

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 group and parent 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 group and the company and of the profit or loss of the company and the group 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,
- state whether applicable UK 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 Group 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 group 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 group 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.

Disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Excalibur Group Holdings Ltd

Directors' report (continued)

Principal activities

The company's principal activity is that of a holding company. During the year under review, its principal trading subsidiary was Excalibur Fund Managers Limited, which provided investment advice to a Jersey based Limited Partnership and two English Limited Partnerships. This subsidiary is authorised and regulated by the Financial Services Authority.

The Group also holds direct investments in funds with a view to capital gain.

Review of business and future developments

It is the group's strategy to raise new funds to invest in building businesses in the medical science industry. During the prior year, the group implemented a strategy to dispose of non-core operations, reduce its cost base and focus activities on the company's core medical science fund management business. This strategy was completed during the year under review with all rationalisation costs being provided for in the prior year.

During the year under review, the company and the group relied on the working capital facilities provided by the group's bankers, Lloyds TSB Banking Group plc. Subsequent to the year end, these banking facilities were acquired by Hookstone Limited as described in Note 20 as a post balance sheet event.

The acquirers of the banking facilities, Hookstone Limited, which is a company controlled by the trustees of a discretionary trust of which Professor Sir C. Evans is a discretionary beneficiary, have confirmed to the company and group that there are no breaches of these facilities and there are now no covenants attached to this new facility, and that they are prepared to advance funds to the company and group for the foreseeable future which will allow liabilities of the company and group to be paid as and when they fall due. In addition to this support Professor C. Evans has also pledged to support the company financially over the next 12 months should the need arise.

The directors therefore continue to adopt the going concern basis of accounting in preparing the company's annual financial statements.

The company is currently in the process of looking into transferring the majority shareholding to Excalibur Medical Ventures Limited, a company resident in Malta.

Principal risks and uncertainties

The group's operations expose it to a variety of risks that include funding risk, liquidity risk, legal and regulatory risk and operational risks.

Funding and liquidity risk

Funding risk comprises exchange rate risk and interest rate risk. Liquidity risk comprises the risk that the financial market is unwilling to make available any facilities which may be needed in order to cover short term financing requirements of the group. The group does not use derivative financial instruments to manage interest rate costs and accordingly, no hedge accounting is applied. Exchange risk arises due to currency differences between the income and expense base. The group keeps its exchange rate management policy under review and the level of this risk has been considered to fall within acceptable parameters to date. To date the group has been able to manage its liquidity risk. The current business plan will allow the group to continue to trade for the foreseeable future without the need for recourse to further banking facilities.

Excalibur Group Holdings Ltd

Directors' report (continued)

Legal and regulatory risk

The group operates in both the UK and Jersey. The regulatory environment is becoming more complex and demanding and in response to this the group has strengthened its arrangements for regulatory compliance through the appointment of a compliance officer who with the assistance of recognised professional advisers carries out regular internal reviews, both of the compliance function and the wider business, with recommendations being approved and implemented by the board. Group companies also continue to ensure open and cooperative relationships with the appropriate regulator.

Operational risk

This includes personnel risk, IT risk and the possibility of business disruption. These risks are mitigated by the recruitment and retention of suitably qualified staff with remuneration set at an appropriate level, use of appropriate keyman insurance and a regular review of the group's business continuity provisions to ensure that they comply with best practice.

Results and dividends

The group's loss for the year, after taxation, amounted to £9,754,942 (2010 loss £1,940,613). The directors do not recommend the payment of a dividend (2010 £nil). The loss for the year has been transferred to reserves.

Directors

The directors who served during the year were

Professor Sir C. Evans OBE	(Chairman)
M. Clement	(resigned 11 August 2010)
J. Curnock-Cook	
M. Docherty	(resigned 30 September 2011)
I. Gray	(appointed 4 May 2010, resigned 30 June 2011)
I. Miscampbell	(appointed 6 May 2010, resigned 31 March 2011)
J. Stone	(resigned 14 May 2010)
J. Wakefield	

Subsequent to the year end the following changes were made to the Board. S. Zahoor was appointed to the Board on 15 August 2011, M. Walton was appointed to the Board on 20 September 2011, I. Gray resigned from the Board on 30 June 2011 and M. Docherty resigned from the Board on 30 September 2011.

Excalibur Group Holdings Ltd

Directors' report (continued)

Directors' interests

At 31 March 2011, directors, who were in office at the year end held the following interests in ordinary shares in the company

4,376,066 shares (2010 4,081,330 shares) are held by the trustees of a discretionary trust of which Prof Sir C Evans is a discretionary beneficiary A further 2,662,502 shares (2010 2,367,767 shares) are held indirectly by the trustees of the same discretionary trust through a wholly owned limited company 489,800 shares (2010 489,800 shares) were held by M Docherty

There have been no changes to directors' beneficial interests subsequent to the year end

Directors' insurance

The company maintained insurance cover for the directors during the year, indemnifying them against certain liabilities that may be incurred by them whilst acting as officers of the group

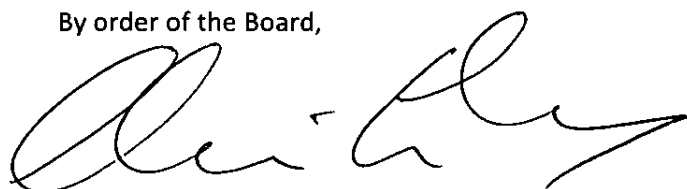
Charitable donations

During the year the group made charitable donations of £nil (2010 £nil)

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,



Excalibur Group Holdings Ltd

19 June 2012

Independent auditors' report to the members of Excalibur Group Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Excalibur Group Holdings Limited for the year ended 31 March 2011 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Reconciliation of Movements in Shareholders' Fund, the Accounting Policies 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 set out on page 2 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 and express an opinion on 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 Chapter 3 of Part 16 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 group's and parent 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

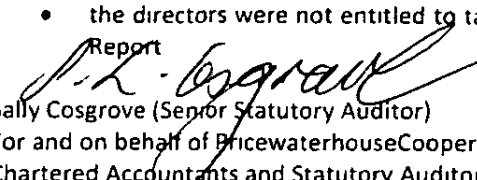
Opinion on other matter prescribed by the Companies Act 2006

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report.


Sally Cosgrove (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
19 June 2012

Excalibur Group Holdings Ltd

Group profit and loss account for the year ended 31 March 2011

	Notes	2011 £	2010 £
Turnover	1	1,907,005	5,574,092
Administrative expenses		(10,188,831)	(6,508,181)
Operating (loss)		(8,281,826)	(934,089)
Continuing operations			
Income from interest in undertakings not consolidated		-	(36,911)
Discontinuing operations			
Sale of businesses		(92,482)	-
(Loss) on ordinary activities before interest and taxation		(8,374,308)	(971,000)
Interest receivable & similar income		-	51
Interest payable & similar charges	2	(1,729,379)	(885,559)
Share of interest payable & similar charges of undertakings not consolidated	2	-	(462)
(Loss) on ordinary activities before taxation	3	(10,103,687)	(1,856,970)
Tax on (loss) on ordinary activities	6	348,746	(83,643)
(Loss) for the financial year		(9,754,942)	(1,940,613)

A statement of movements in shareholders' funds is given in note 15. The above statement reflects both the continuing operations of the group's fund management business and the operations of its corporate finance advisory business, which was discontinued immediately after the year end. There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical equivalents.

The notes on pages 12 to 26 form an integral part of these financial statements.

Excalibur Group Holdings Ltd

Group statement of total recognised gains and losses for the year ended 31 March 2011

	2011	2010
	£	£
(Loss) for the financial year	(9,754,942)	(1,940,613)
Currency translation differences on foreign currency net investments	(11,287)	(3,437)
Total recognised (loss) for the year	<u>(9,766,229)</u>	<u>(1,944,050)</u>

The currency translation difference in the year wholly arose within continuing operations

The notes on pages 12 to 26 form an integral part of these financial statements

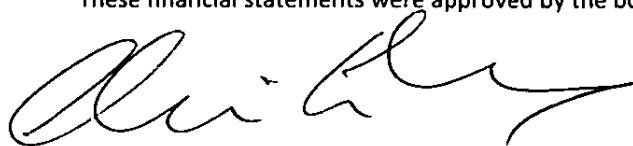
Excalibur Group Holdings Ltd

Group balance sheet at 31 March 2011

	Notes	2011 £	2010 £
Fixed assets			
Intangible assets	7	512,302	1,126,782
Tangible assets	8	14,375	35,473
Investments	9	8,420,002	14,218,112
		<u>8,946,679</u>	<u>15,380,367</u>
Current assets			
Debtors	10	2,771,577	2,846,684
Cash at bank and in hand		361,421	197,599
		<u>3,132,998</u>	<u>3,044,283</u>
Creditors Amounts falling due within one year	11	(21,820,914)	(18,399,658)
Net current liabilities		<u>(18,687,916)</u>	<u>(15,355,375)</u>
Total assets less current liabilities		<u>(9,741,237)</u>	<u>24,992</u>
Creditors Amounts falling due after more than one year	12	-	-
Net (liabilities)		<u>(9,741,237)</u>	<u>24,992</u>
Capital and reserves			
Called-up share capital	13	1,200	1,200
Share premium account	14	5,179,260	5,179,260
Foreign exchange translation reserve	14	9,894	21,181
Profit and loss account	14	(14,931,591)	(5,176,649)
Total shareholders' funds	15	<u>(9,741,237)</u>	<u>24,992</u>

The notes on pages 12 to 26 form an integral part of these financial statements

These financial statements were approved by the board of directors on 19 June 2012 and were signed on its behalf by



C. Evans
Director

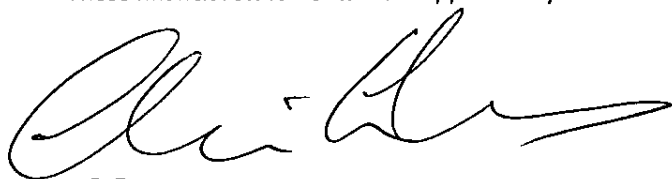
Excalibur Group Holdings Ltd

Company balance sheet at 31 March 2011

	Notes	2011 £	2010 £
Fixed assets			
Investments	9	<u>13,048,545</u>	<u>18,564,894</u>
Current Assets			
Debtors amounts falling due within one year	10	-	17
Cash at bank and in hand		-	-
		-	17
Creditors Amounts falling due within one year	11	<u>(22,784,679)</u>	<u>(20,603,886)</u>
Net current liabilities		<u>(22,784,679)</u>	<u>(20,603,869)</u>
Total assets less current liabilities		<u>(9,736,134)</u>	<u>(2,038,975)</u>
Creditors: Amounts falling due after more than one year	12	-	-
Net (liabilities)		<u><u>(9,736,135)</u></u>	<u><u>(2,038,975)</u></u>
Capital and reserves			
Called-up share capital	13	1,200	1,200
Share premium account	14	5,179,260	5,179,260
Profit and loss account	14	<u>(14,916,591)</u>	<u>(7,219,435)</u>
Total shareholders' funds	15	<u><u>(9,736,131)</u></u>	<u><u>(2,038,975)</u></u>

The notes on pages 12 to 26 form an integral part of these financial statements

These financial statements were approved by the board of directors on 19 June 2012 and were signed on its behalf by



C Evans
Director

Excalibur Group Holdings Ltd

Group cash flow statement for the year ended 31 March 2011

	Note	2011 £	2010 £
Net cash inflow from operating activities	16	(1,456,433)	509,154
Returns on investments and servicing of finance			
Interest paid		(20,944)	(686,657)
Dividends received from subsidiary undertakings		-	156,319
Interest received		-	51
Net cash outflow from returns on investment and servicing of finance		(20,944)	(530,287)
Taxation (paid) / received		(358,801)	47,723
Capital expenditure and financial investment			
Purchase of tangible fixed assets		-	(33,575)
Purchase of fixed asset investments		-	(1,827,818)
Net cash outflow from capital expenditure		-	(1,861,393)
Net cash outflow before management of liquid resources and financing		(1,836,178)	(1,834,803)
Financing			
Issue of ordinary share capital		-	34
Increase in borrowings		2,000,000	1,610,000
Repayment of borrowings		-	(300,000)
Net cash inflow from financing		2,000,000	1,310,034
Increase / (decrease) in net cash	17	163,822	(524,769)

The notes on pages 12 to 26 form an integral part of these financial statements

Excalibur Group Holdings Ltd

Notes to financial statements for the year ended 31 March 2011

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the significant accounting policies is listed below.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

During the year, EGH and the company relied on the working capital facilities provided by the group's bankers, Lloyds TSB Banking Group (the 'Bank'). Subsequent to the year end, these banking facilities were acquired as described in note 20 as a post balance sheet.

The acquirers of the banking facilities, which is a company controlled by the trustees of a discretionary trust of which Prof Sir C. Evans is a discretionary beneficiary, have confirmed to the company and group that any current and future breaches of these facilities have been waived and that they are prepared to advance funds to the company and group for the foreseeable future which will allow liabilities of the company and group to be paid as and when they fall due. In addition, Prof Sir C. Evans, a director of the company has provided personal support to the Group over the next twelve months through a separate letter of support.

On the basis of the above, the directors believe that it is appropriate for the company and the group to continue to trade as a going concern and have accordingly prepared these financial statements on this basis.

The directors have taken advantage of the exemption available under s230 of the Companies Act 1985 and have not presented a profit and loss account for the company alone. The company's loss after taxation for the year, determined in accordance with the Act, and included in the consolidated profit and loss account was £7,697,156 (2010 loss £2,073,472).

Basis of consolidation

Certain companies owned by the group which act as general partners to Limited Partnership entities may cause the Limited Partnership entities to fall within the definition of subsidiary undertakings as defined in FRS2 and in the Companies Act 2006. The Standard and the Act require the company to consolidate its subsidiary undertakings. However, where there are severe long-term restrictions over the ability of the company to control such general partner companies and therefore the Limited Partnership entities, they have been excluded from the consolidation.

The directors consider that the shareholders' agreements in place for the general partner companies amount to a restriction of control for those companies. In addition, the substance of the relationship that the general partner company has with the Limited Partnership entity is such that there is no significant economic benefit or risk to the general partner company other than a priority profit share. As a result, the directors consider that a true and fair view is given if Merlin General Partner II Limited is included at cost of investment within the accounts and Merlin General Partner III Limited is fully consolidated. In prior years both Merlin General Partner II Limited and Merlin General Partner III Limited were included in the consolidated accounts using the equity method of accounting.

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

1 Accounting policies (continued)

Basis of consolidation (continued)

Subsidiary companies

The results of subsidiary companies acquired during a period are included in the consolidated profit and loss account from the date of acquisition. Goodwill arising on the consolidation of subsidiaries acquired is treated as an intangible asset and amortised over an appropriate period. Such goodwill will be charged to the profit and loss account on any subsequent disposal of the business to which it relates.

In the company's financial statements, investments in subsidiary companies are stated at cost, including a proportion of the acquisition costs. Where a subsidiary company receives distributions from participation in a Fund as a Limited Partner, these are recognised as a reduction in net investment, until such time as the investment is fully recovered.

Tangible fixed assets

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

Leasehold improvements	-	33 33% per annum
Fixtures and fittings	-	33 33% per annum
Computers	-	33 33% per annum

Taxation

Corporation tax payable is provided on taxable profits at the current tax rate. The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings where appropriate. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or the right to pay less tax in the future have occurred at the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefit is uncertain. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover comprises the value of investment advisory services (excluding VAT) in the normal course of business. Advisory fee income is recognised on the accruals basis.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

1 Accounting policies (continued)

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term. Further information on charges during the year and future commitments is given in note 19.

Foreign currency

The results of overseas subsidiaries are included using the closing rate method. The profit and loss account of these companies is translated at the average rate for the period, and the net assets at the closing rate. Any exchange difference arising is taken to reserves.

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. The resulting exchange differences are taken to the profit and loss account.

Where foreign currency investments have been financed directly by foreign currency borrowings, the carrying value of such foreign currency investments are translated at the closing rate, with the resulting exchange gains or losses being taken directly to reserves and offset against the exchange gains or losses arising on the borrowings.

Exchange gains or losses arising on the borrowings are offset only to the extent of exchange differences arising on the investment and do not exceed the total amount of cash expected to be generated as a result of the investments. Any foreign exchange gains or losses not so offset are recognised directly in the profit and loss account.

Capital instruments

Capital instruments are included at cost. Redemption premiums, where relevant, are taken to the profit and loss account on a straight line basis calculated from the date of issue to the date of expected redemption.

Borrowings

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs are charged to the profit and loss account over the term of the borrowings and for amortising loans represent a constant proportion of the balance of capital repayments outstanding. For loans with a single fixed repayment date, issue costs are spread over the term of the borrowings on a straight line basis.

Fixed asset investments

Fixed asset investments are held at the lower of cost and net realisable value. Where the group receives distributions from participation in a Fund as a Limited Partner, these are recognised as a reduction in net investment, until such time as the investment is fully recovered.

Related parties

The company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Excalibur Group. For details of other related party transactions see note 21.

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

2. Interest payable and similar charges

	2011	2010
	£	£
On bank loans and overdrafts	1,507,737	681,756
Bank charges	23,205	4,962
Amortisation of debt issue costs	123,663	198,841
Other interest payable	74,774	-
	<u>1,729,379</u>	<u>885,559</u>
Share of bank charges of undertakings not consolidated	-	462
	<u>1,729,379</u>	<u>886,021</u>

3 (Loss) / profit on ordinary activities before taxation

The (loss) / profit on ordinary activities before taxation is stated after charging

	2011	2010
	£	£
Consultancy fees (note 20)	981,031	980,717
Auditors' remuneration		
- Statutory audit of the Company and consolidated accounts	15,000	15,000
- Statutory audit of the subsidiary accounts	66,000	35,000
- Taxation advisory fees	20,000	18,100
Hire of plant and machinery	5,400	5,400
Rental of premises	257,275	306,094
Amortisation of goodwill	614,479	614,479
Write down and impairment of fixed asset investments	5,651,248	11,141
Loss on disposal of fixed asset investments	-	72,480
Depreciation of tangible fixed assets	<u>19,348</u>	<u>26,412</u>

The operating loss from continuing operations includes a net foreign exchange loss of £238,110 (2010 gain £4,893) on a bank loan denominated in Euros, and the foreign currency denominated asset to which the loan relates

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

4. Employee information

Particulars of employees and their remuneration (including executive directors) are shown below

	2011 £	2010 £
Wages and salaries	544,533	2,093,412
Social security costs	62,572	241,213
Pension costs	9,346	113,024
	<u>616,451</u>	<u>2,447,649</u>

The group operates a group personal pension scheme for a number of its employees which is a defined contribution scheme. The charge for the year amounted to £9,346 (2010 £113,024). As at 31 March 2011, £1,334 was overpaid (2010 £17,059 outstanding) and this amount has been recovered subsequently.

The average monthly number of persons employed by the group in investment and administrative roles (including executive directors) during the year was 8 (2010 14).

5 Directors' remuneration

Directors' remuneration payable by the group during the year was as follows

	2011 £	2010 £
Aggregate emoluments	<u>275,583</u>	<u>921,691</u>

During the year the directors did not exercise any share options or become entitled to receive shares under any long-term incentive schemes. No retirement benefits were accrued for in the year £Nil (2010 £34,833).

	2011 £	2010 £
The directors' remuneration shown above included		
Highest paid director	<u>108,561</u>	<u>282,252</u>

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

6. Tax on profit on ordinary activities

Analysis of charge for the year

	2011 £	2010 £
United Kingdom Corporation tax at 28% (2010 30%)	-	82,094
Prior year adjustment	(41,896)	(3,919)
Current tax (credit) / charge for the year	(41,896)	78,175
Deferred tax (credit) / charge	(306,850)	5,468
Total tax (credit) / charge for the year	(348,746)	83,643

Factors affecting tax charge for the year

	2011 £	2010 £
(Loss) / profit on ordinary activities before tax	(9,974,118)	(1,856,970)
Theoretical tax at UK Corporation tax rate of 28% (2010 28%)	(2,792,753)	(519,952)
Effects of		
Net expenses not deductible for taxation purposes (including goodwill)	1,585,102	461,852
Effect of capital allowances and other timing differences	977	2,846
Adjustment arising in respect of prior years	11,731	138,897
Losses Carried Forward	1,153,047	-
Current tax (credit) / charge for the year	(41,896)	83,643

7 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 April 2010	9,742,668
Additions	-
At 31 March 2011	9,742,668
Amortisation	
At 1 April 2010	8,615,886
Charge for the period	614,479
At 31 March 2011	9,230,365
Net book value	
At 31 March 2011	512,303
At 1 April 2010	1,126,782

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

7. Intangible fixed assets (continued)

The goodwill arising on the acquisition of Excalibur Fund Managers Limited is being amortised on a straight-line basis over 9 years, being the expected remaining life of the most recent Fund advised by the group, as at the date of acquisition, being January 2003

8 Tangible fixed assets

Group	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 April 2010	167,850	327,012	494,862
Additions	-	-	-
Disposals	-	(1,750)	(1,750)
At 31 March 2011	167,850	325,262	493,112
Depreciation			
At 1 April 2010	162,435	296,954	459,389
Charge for the period	5,266	14,082	19,348
Disposals	-	-	-
At 31 March 2011	167,701	311,036	478,737
Net book value			
At 31 March 2011	149	14,226	14,375
At 31 March 2010	5,415	30,058	35,473

The company does not own any tangible fixed assets

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

9 Fixed asset investments

Group

Fixed asset investments consist of unlisted investments and subsidiary undertakings not consolidated

	Other Investments £	Subsidiary undertakings not consolidated £	Total £
At 1 April 2010	14,159,406	58,706	14,218,112
Provisions for impairment	(5,651,248)	-	(5,651,248)
Exchange rate movements	-	(6,352)	(6,352)
Currency translation differences	(146,862)	-	(146,862)
At 31 March 2011	8,361,296	51,362	8,420,002

Other investments

The group holds a Euro denominated investment in the Merlin Biosciences Fund III Limited Partnership and the Merlin Biosciences Fund 2007 Limited Partnership ("the Funds"), both of which are registered in England and Wales. The Funds invest in early, mid and late stage unquoted bioscience and bioscience related companies predominantly in Europe.

At the year end the Group had committed a total investment of €24,293,795 (2010: €24,293,795), representing 17.5% (2010: 17.5%) of the Funds. The commitment consists of a €2,429 (2010: €2,429) capital contribution with the balance as a loan and is payable from time to time as determined by the Manager of the Funds over the life of the Funds which is a maximum of ten years from 31 July 2002. As at 31 March 2011, €24,293,975 (2010: €24,293,975) of the commitment had been paid.

The carrying value of the investment at the period end has been reduced by £5,651,248 to reflect the Group's share of the fund as per the latest audited fund accounts. The directors believe that this is a temporary diminution in value and does not reflect the ultimate realisation from the investment in due course.

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

9 Fixed Asset investments (continued)

Subsidiary undertakings not consolidated

The Group has investments in the following subsidiary undertakings which are wholly owned

Name	Principal Activity	Description of Interest held	Note
Merlin General Partner II Limited	General partner to The Merlin Biosciences Fund L P	Ordinary £1	i, iii
Merlin General Partner III Limited	General partner to The Merlin Biosciences Fund III L P	Ordinary £1	ii, iii
Merlin Managing Partner III Limited	Dormant	Ordinary £1	ii, iii
Merlin Bioscience Limited	Dormant	Ordinary 0 1p	ii, iv
Merlin Biomed Limited	Dormant	Ordinary 0 1p	ii, iv
Merlin Limited	Dormant	Ordinary £1	ii, iv
Merlin Asset Management Limited	Dormant	Ordinary £1	ii, iv
Merlin Biosciences Limited	Dormant	Ordinary £1	ii, iv
Excalibur Jersey Limited	Dormant	Ordinary £1	i

- i) Registered in Jersey
- ii) Registered in England and Wales
- iii) Year end of 31 December (to coincide with the year end of the relevant Fund)
- iv) Year end of 31 March

The Group holds all the voting rights in Merlin General Partner II Limited but is restricted in its ability to exercise those rights under a letter of undertaking given by the Group. The Group holds all the voting rights in Merlin General Partner III Limited, the general partner of the Merlin Biosciences Fund III LP and Merlin Biosciences Fund III 2007 LP (the "Fund") but is restricted in fully exercising these rights by the Limited Partnership Agreement entered into with the Fund.

Merlin General Partner II Limited receives a management profit share from the Merlin Biosciences Fund L P and the Merlin Biosciences Fund GbR. The Group provides investment advice to the subsidiary undertaking and receives fees for this advice. Management fees amounting to £210,805 (2010 £ 2,238,253) were receivable during the period from Merlin General Partner II Limited, and the year end outstanding balance is £143,612 due to Merlin General Partner II Limited. Merlin General Partner III Limited receives a management profit share from the Merlin Biosciences Fund III L P and the Merlin Biosciences Fund III 2007 L P. Management fees amounting to £1,495,190 (2010 £ 2,668,526) were receivable during the period from Merlin General Partner III Limited, and the year end outstanding balance is £2,337,340 due from Merlin General Partner III Limited.

Company

Fixed asset investments held by the company consist of the following

	£
At 1 April 2010	18,564,894
Impairment provision	(5,411,370)
Exchange gains on euro denominated asset	(104,979)
At 31 March 2011	13,048,545

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

9. Fixed Asset investments (continued)

The company holds an investment in Excalibur Fund Managers Limited ('EFM'), a subsidiary undertaking, which is registered in England and Wales. The principal activity of EFM is the provision of investment advice to two English parallel limited partnerships and to a Jersey based limited partnership. At the year end the issued share capital of EFM comprised 0.1p ordinary shares which were wholly owned by the company.

The company also holds an investment in Merchant Ventures Investments Limited ('MVIL'), a subsidiary undertaking, which is registered in England and Wales. The principal activity of MVIL was the provision of corporate finance advisory services. At the beginning of the year the issued share capital of MVIL comprised £1 ordinary shares which were wholly owned by the company. This investment was disposed of before the year end.

10. Debtors

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Amounts falling due within one year				
Trade debtors	2,404,839	2,545,953	-	-
Other debtors	6,578	126,045	-	17
Prepayments and accrued income	36,186	157,562	-	-
	<u>2,447,603</u>	<u>2,829,560</u>	<u>-</u>	<u>17</u>
Amounts falling due after more than one year				
Deferred tax asset (See below)	323,974	17,124	-	-
	<u>323,974</u>	<u>17,124</u>	<u>-</u>	<u>-</u>
Total debtors	<u>2,771,577</u>	<u>2,846,684</u>	<u>-</u>	<u>17</u>

The deferred tax asset arises as a result of decelerated capital allowances as follows

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
At 1 April	17,124	22,592	-	-
Tax charge in the profit and loss account (note 6)	306,850	(5,468)	-	-
At 31 March	<u>323,974</u>	<u>17,124</u>	<u>-</u>	<u>-</u>

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

11 Creditors Amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Bank loans and overdrafts (note 12)	19,849,876	16,217,061	19,849,876	16,217,061
Trade creditors	463,780	688,357	-	-
Corporation tax	136,884	537,581	-	127,741
Social security	11,377	116,652	-	-
Other creditors	218,981	397,990	-	-
Accruals	1,140,016	442,017	330,066	114,511
Amounts owed to group undertakings	-	-	2,604,737	4,144,561
	21,820,914	18,399,658	22,784,679	20,603,881

12. Creditors Amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Bank loans wholly repayable within 5 years	-	-	-	-
Other loans (note 20)	-	-	-	-
	-	-	-	-
Amounts payable in relation to bank and other loans are analysed as follows				
- On demand within one year (note 11)	19,849,876	16,217,061	19,849,876	16,217,061
- Between one and two years	-	-	-	-
	19,849,876	16,217,061	19,849,876	16,217,061

The bank loans are stated net of unamortized issue costs of £Nil (2010 £123,663). These costs, together with the interest expense are allocated to the profit and loss account over the term of the facility to which they relate.

As a result of a breach of the terms of certain bank facilities in 2011, the bank loans became repayable on demand and have therefore been classified as being due within one year. Subsequent to the year end the banking facilities have been acquired by Hookstone Limited, a company controlled by Faraway Trustee Limited as trustee of a discretionary trust of which Professor Sir C Evans is a discretionary object. The Faraway Trustee Ltd is based in the Isle of Man and is the ultimate controlling party of the group and company as described in Note 22.

Exchange movements have been treated as follows

	2011	2010
	£	£
Exchange movements		
- arising on retranslation of foreign currency borrowings	(133,456)	464,102
- arising on retranslation of foreign currency investments	(105,080)	(459,209)
Amount credited / (charged) to profit and loss account	(238,110)	4,893

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

13 Called up share capital

	2011 £	2010 £
Authorised		
2,547,504 (2010 2,547,504) 'A' ordinary shares of £0 0001 each	255	255
636,876 (2010 636,876) 'B' ordinary shares of £0 0001 each	64	64
16,815,620 (2010 16,815,620) ordinary shares of £0 00001 each	<u>1,681</u>	<u>1,681</u>
20,000,000 ordinary shares of £0 0001 each	<u>2,000</u>	<u>2,000</u>
Allotted, called up and fully paid		
2,547,504 (2010 2,547,504) 'A' ordinary shares of £0 0001 each	255	255
636,876 (2010 636,876) 'B' ordinary shares of £0 0001 each	64	64
8,818,444 (2010 8,818,444) ordinary shares of £0 00001 each	<u>881</u>	<u>881</u>
	<u>1,200</u>	<u>1,200</u>

The 'A' ordinary shares and the 'B' ordinary shares rank parri passu with the ordinary shares except for a preferential participation in any distribution of equity proceeds or on a realisation

14. Reserves

Profit and loss account

	Group £	Company £
At 1 April 2010	(5,176,649)	(7,219,435)
Result for the financial year	<u>(9,625,373)</u>	<u>(7,697,156)</u>
At 31 March 2011	<u>(14,931,591)</u>	<u>(14,916,591)</u>

Share premium

	2011 £	2010 £
Group and company	<u>5,179,260</u>	<u>5,179,260</u>

Foreign exchange translation reserve

	Group £	Company £
At 1 April 2010	21,181	-
Arising on translation of the results of subsidiary undertakings not consolidated	-	-
At 31 March 2011	<u>21,181</u>	<u>-</u>

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

15 Reconciliation of movements in shareholders' funds

	Group £	Company £
Opening shareholders' funds	24,992	(2,038,975)
Result for the financial year	(9,754,942)	(7,697,156)
Foreign exchange translation reserve	(11,287)	-
Closing shareholders' funds	<u>(9,741,237)</u>	<u>(9,736,131)</u>

16. Reconciliation of operating profit to net cash inflow from operating activities

	2011 £	2010 £
Operating (loss) / profit	(8,281,826)	(934,089)
Amortisation of goodwill	614,480	614,479
Depreciation charge	19,348	26,412
Loss on disposal of tangible fixed assets	1,750	-
Loss on disposal of investments	-	72,480
Decrease / (increase) in debtors	(31,987)	266,020
Increase / (decrease) in creditors	662,229	457,604
Exchange loss on foreign currency borrowings	(133,456)	(464,102)
Exchange gain on foreign currency assets financed by foreign currency borrowings	(105,080)	459,209
Impairment of fixed asset investment	5,798,110	11,141
Net cash inflow from operating activities	<u>(1,456,433)</u>	<u>509,154</u>

17 Reconciliation of net cash outflow to movement in net debt

	2011 £	2010 £
Increase/Decrease in cash in the period	163,822	(524,769)
Increase in borrowings	(3,375,696)	(1,610,061)
Repayment of borrowings	-	298,938
Movement in debt issue costs	(123,663)	(198,841)
Exchange (loss) / gain on borrowings	(133,456)	464,102
Movement in net debt in the year	<u>(3,468,993)</u>	<u>(1,570,631)</u>
Opening net debt	<u>(16,019,462)</u>	<u>(14,448,831)</u>
Closing net debt (note 18)	<u>(19,488,455)</u>	<u>(16,019,462)</u>

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

18. Analysis of changes in net debt

	At 1 April 2010	Cashflows	Other non-cash movements	At 31 March 2011
Cash at bank and in hand	197,599	163,822	-	361,421
Debt due within one year	(16,217,061)	(2,000,000)	(1,632,815)	(19,849,876)
Net debt	<u>(16,019,462)</u>	<u>(1,836,178)</u>	<u>(1,632,815)</u>	<u>(19,488,455)</u>

Other non-cash changes comprise amortisation of debt issue costs, foreign exchange movements and reclassifications following the breach of certain terms of the group's banking facility

19 Guarantees, other financial commitments and contingent liabilities

Capital commitments

At the year end the group had committed a total investment of €24,293,795 (2010 €24,293,795), representing 17.5% (2008 17.5%) of the Funds. The commitment consists of a €2,429 (2010 €2,429) capital contribution with the balance as a loan and is payable from time to time as determined by the Manager of the Fund over the life of the Funds which is a maximum of ten years from 31 July 2002.

As at 31 March 2010, €24,293,975 (2010 24,293,975) of the commitment had been paid. No distribution was received from the Funds during the year (2010 nil).

Lease commitments

The Group leases certain land and buildings on short-term leases. The minimum annual rental (or period to expiry) under such operating leases is as follows:

	Group 2011 £	Group 2010 £
Property operating lease which expire		
Within one year	16,423	-
between two and five years	<u>-</u>	<u>331,200</u>

As at 31 March 2011, the group had a rent guarantee in place totalling £Nil (2010 £146,875).

Contingent liability

The company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. The group's subsidiaries have issued an unlimited guarantee to the bank to support these group facilities. Subsequent to the year end the banking facilities were acquired as more fully described in note 20 below.

As part of the acquisition, should realisations from the Company's fixed asset investment in the Merlin Biosciences Fund III L.P. exceed a threshold amount, then the company will be directed to pay a proportion of the excess above this threshold to the former owners of the banking facilities and account for this payment through the intercompany account with its parent undertaking. Based on the value of the fixed asset investment at the year end, this contingent payment and intercompany debtor would total £66,914.

Excalibur Group Holdings Ltd

Notes to financial statements (continued) for the year ended 31 March 2011

20 Post balance Sheet events

Subsequent to the year end, on the 22nd June 2011 the group's banking facilities were wholly acquired by Hookstone Limited, a company controlled by The Faraway Trustee Ltd, as trustee of a discretionary trust of which Prof Sir C Evans is a discretionary beneficiary. The Faraway Trustee Ltd is based in the Isle of Man and is the ultimate controlling party of the company and group as described in note 18.

The acquirers of the banking facilities have confirmed to the company and group that there are no breaches of these facilities and that they are prepared to advance funds to the company and group for the foreseeable future which will allow liabilities of the company to be paid as and when they fall due. It is the intention of the acquirers of the banking facilities to restructure them over the coming year. In addition, Prof Sir C Evans, a director of the Group has provided a letter of support to the Group over the next twelve months to enable the Group to pay creditors and meet liabilities as they fall due.

The company is currently in the process of looking into transferring the majority shareholding to Excalibur Medical Ventures Limited, a company resident in Malta.

A proposal to extend Merlin Biosciences Fund III from its' close date of July 2012 was distributed to all LPs following which the requisite majority vote required to extend the Fund was obtained. Management Fees will continue to be payable to Excalibur during any extension period. Excalibur has agreed as part of the extension to reduce management fee to a fixed amount of €1,010,000 for the year ahead.

21. Related parties

In addition to the related party transactions noted above, the following occurred during the period:

Consultancy fees amounting to £600,000 (2010: £600,000) were payable during the period to Merlin Scientific LLP, a business in which Prof Sir C Evans is a designated member. Consultancy fees of £41,843 (2010: £81,348) were payable during the period to Medi Science Consultants Ltd, a business in which Mark Clement is a director. Consultancy fees of £55,500 (2010: £35,000) were payable during the period to Sparholt Services Ltd, a business in which J Wakefield is a director. Consultancy fees of £139,639 (2010: £27,000) were payable during the period to XKe Capital LLP, a business in which M Docherty is a partner. Consultancy fees of £75,344 (2010: £0) were payable during the period to Isla Capital Partners LLP, a business in which I Miscampbell is a partner.

22 Ultimate controlling party

The ultimate controlling party is considered to be The Faraway Trustee Ltd, as trustee of a discretionary trust of which Prof Sir C Evans is a discretionary beneficiary. The Faraway Trustee Ltd is based in the Isle of Man.