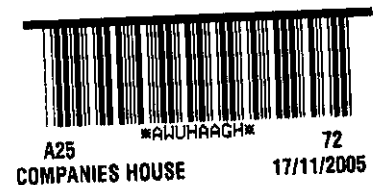


Company Registration No. 5024158 (England and Wales)

RECOMBINOGEN LIMITED

**DIRECTORS' REPORT AND
UNAUDITED FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 JANUARY 2005



RECOMBINOGEN LIMITED

COMPANY INFORMATION

Directors	C Smith M Borg P Bailey C Coggill
Secretary	M Borg
Company number	5024158
Registered office	1 Bishops Wharf Walnut Tree Close Guildford Surrey GU1 4RA
Accountants	Smith & Williamson Limited 1 Bishops Wharf Walnut Tree Close Guildford Surrey GU1 4RA
Bankers	National Westminster Bank Plc University of Surrey Guildford Surrey GU2 7XS

RECOMBINOGEN LIMITED

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RECOMBINOGEN LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 JANUARY 2005

The directors present their report and financial statements for the period ended 31 January 2005.

Principal activities

The principal activity of the company is that of bio medical and technical research.

Directors

The following directors have held office since 23 January 2004:

C Smith
M Borg
P Bailey
C Coghill

Directors' interests

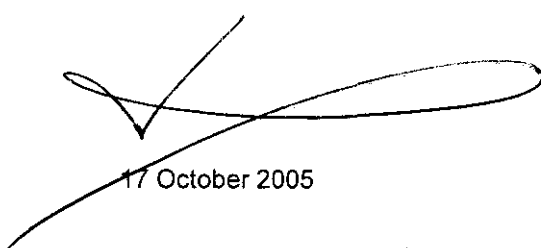
The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 January 2005	23 January 2004
C Smith	420	-
M Borg	220	-
P Bailey	-	-
C Coghill	-	-

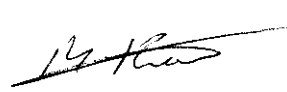
	'A' Ordinary shares of £ 1 each	
	31 January 2005	23 January 2004
C Smith	-	-
M Borg	-	-
P Bailey	-	-
C Coghill	-	-

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



17 October 2005



Secretary

RECOMBINOGEN LIMITED

CHARTERED ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS ON THE UNAUDITED FINANCIAL STATEMENTS OF RECOMBINOGEN LIMITED

In accordance with the engagement letter dated 8 March 2005, and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of the company which comprise the Profit and Loss Account, the Balance Sheet and the related notes from the accounting records and information and explanations you have given to us.

This report is made to the company's board of directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the company's board of directors that we have done so, and state those matters that we have agreed to state to them in this 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 board of directors, as a body, for our work or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the balance sheet for the period ended 31 January 2005 your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.

Smith & Williamson Limited

18 October 2005

Chartered Accountants

1 Bishops Wharf
Walnut Tree Close
Guildford
Surrey
GU1 4RA

RECOMBINOGEN LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 JANUARY 2005

	Notes	Period ended 31 January 2005 £
Administrative expenses		(45,160)
Operating loss	2	(45,160)
Other interest receivable and similar income		710
Loss on ordinary activities before taxation		(44,450)
Tax on loss on ordinary activities	3	-
Loss on ordinary activities after taxation	7	(44,450)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

RECOMBINOGEN LIMITED

BALANCE SHEET AS AT 31 JANUARY 2005

	Notes	2005 £	£
Current assets			
Debtors	4	5,916	
Cash at bank and in hand		171,858	
		<u>177,774</u>	
Creditors: amounts falling due within one year	5	(6,661)	
		<u></u>	
Total assets less current liabilities			<u>171,113</u>
Capital and reserves			
Called up share capital	6		1,399
Share premium account	7		214,164
Profit and loss account	7		<u>(44,450)</u>
Shareholders' funds - equity interests	8		<u>171,113</u>


In preparing these financial statements:

- (a) The directors are of the opinion that the company is entitled to the exemption from audit conferred by Section 249A(1) of the Companies Act 1985;
- (b) No notice has been deposited under Section 249B(2) of the Companies Act 1985, and
- (c) The directors acknowledge their responsibilities for:
 - (i) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
 - (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial period and of its profit or loss for the financial period in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 17 October 2005


Director


Secretary

RECOMBINOGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

These accounts have been prepared on the going concern basis. The directors have reviewed the company's position and prepared forecasts up to November 2006 and consider that the going concern basis is appropriate to the company's circumstances.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

The costs in connection with preparing and filing UK applications are written off to the profit and loss account.

1.4 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.5 Development costs

Development costs are included in the accounts at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over the estimated useful life of 20 years.

2 Operating loss

2005

£

Operating loss is stated after charging:

Research and development

6,995

Directors' emoluments

6,075

RECOMBINOGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 JANUARY 2005

3 Taxation

Current tax charge

-

Factors affecting the tax charge for the period

Loss on ordinary activities before taxation

(44,450)

Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2004: 0.00%)

(8,446)

Effects of:

Disallowable expenses

2,808

Losses created in the period and carried forward

5,638

8,446

Current tax charge

-

4 Debtors

2005

£

Other debtors

5,916

5 Creditors: amounts falling due within one year

2005

£

Taxation and social security

6,661

RECOMBINOGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 JANUARY 2005

6	Share capital	2005
		£
	Authorised	
	1,105 Ordinary shares of £1 each	1,105
	640 'A' Ordinary shares of £1 each	640
		<u>1,745</u>
	Allotted, called up and fully paid	
	1,000 Ordinary shares of £1 each	1,000
	399 'A' Ordinary shares of £1 each	399
		<u>1,399</u>

During the year 399 'A' ordinary shares of £1 each were issued to provide additional working capital. 36 'A' ordinary shares were issued to the University of Surrey Seed Fund (USSF) in exchange for the discharge of a £10,000 loan due to USSF. The issue resulted in an increase of £9,964 in the balance on the share premium account. 97 'A' ordinary shares were issued to USSF for cash consideration of £562.50 per share, increasing the balance on the share premium account by £54,465.50. The Cascade Fund also subscribed for 266 'A' ordinary shares at a price of £563.91, further increasing the balance on the share premium account by £149,734.

7 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Retained loss for the period	-	(44,450)
Premium on shares issued during the period	214,164	-
Balance at 31 January 2005	<u>214,164</u>	<u>(44,450)</u>

Three issues of 'A' ordinary shares for cash consideration above their par value of £1 per share, resulted in an increase in the balance on the share premium account during the period as detailed in note 7.

RECOMBINOGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 JANUARY 2005

8	Reconciliation of movements in shareholders' funds	2005
		£
	Loss for the financial period	(44,450)
	Proceeds from issue of shares	215,563
		<hr/>
	Net addition to shareholders' funds	171,113
	Opening shareholders' funds	-
		<hr/>
	Closing shareholders' funds	171,113
		<hr/>