

Affymax Technologies N.V.
(Registered Number FC018586)

Annual Report and Financial Statements

For the year ended 31st December 2007

Registered office address:

Schottegatweg Oost 44
P O Box 812
Curacao
Netherlands Antilles

Business address.

891 Greenford Road
Greenford
Middlesex
UB6 0HE
England

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Affymax Technologies N.V.

Annual Report and Financial Statements

For the year ended 31st December 2007 .

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Affymax Technologies N V.

Directors' Report for the year ended 31st December 2007

The Directors submit their report and the audited financial statements for the year ended 31st December 2007

The Company is incorporated in the Netherlands Antilles, but the Company's management and business is located in the United Kingdom and is based at 891-995 Greenford Road, Greenford, Middlesex, UB6 0HE

Principal activities

The Company is a subsidiary undertaking of Affymax N V, which is a subsidiary undertaking of Glaxo Venture Limited. The ultimate parent company is GlaxoSmithKline plc. The Company's principal activity is that of an investment company in the GlaxoSmithKline Group ("the Group"). The Company has the right to future royalty income in respect of a license agreement with Glaxo Group Limited, an affiliated company. The Company retains a participation in Affymax Inc common stock.

Review of business

The Company made a profit on ordinary activities after taxation of US\$2,569,000 (2006 - US\$2,424,000). The Directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future.

The retained profit for the year of US\$2,569,000 will be transferred to reserves (2006 - retained profit for the year of \$2,424,000 transferred to reserves).

Results and dividends

The Company's results for the financial year are shown in the profit and loss account on page 4.

No dividend is proposed to the holders of Ordinary or Preference Shares in respect of the year ended 31st December 2007 (2006 - \$nil).

Directors and their interests

The Directors of the Company who served during the year are as follows:

Mr P F Blackburn
Mr R Emerson
Mr E B Cale III - Resigned on 1st February 2008

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Company's business.

Directors' Indemnity

Each of the Directors who is an individual, other than Mr E B Cale III, benefits from an indemnity given by another Group undertaking, GlaxoSmithKline Services Unlimited. This indemnity is in respect of liabilities arising out of third party proceedings to which the Director is a party by reason of his engagement in the business of the Company.

Affymax Technologies N.V.

Directors' Report for the year ended 31st December 2007

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss for that year

In preparing the financial statements the Directors are required to

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

The Directors confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all the steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts

Auditors

PricewaterhouseCoopers LLP are willing to continue in office as auditors and resolutions dealing with their reappointment and remuneration will be proposed at the Company's Annual General Meeting

By order of the Board



Paul Williamson

For and on behalf of Edinburgh Pharmaceutical Industries Limited – Assistant Secretary

29th February 2008

Affymax Technologies N V

Independent Auditors' Report to the members of Affymax Technologies N V.

We have audited the financial statements of Affymax Technologies N V for the year ended 31st December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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, applicable to overseas companies. We also report to you whether, in our opinion, the information given in Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 31st December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
29th February 2008

Affymax Technologies N.V.

Profit and Loss Account

For the year ended 31st December 2007

		2007	2006
	Notes	\$'000	\$'000
Operating expenses	2	(229)	(124)
Operating loss		(229)	(124)
Net interest receivable	3	3,998	3,629
Profit on ordinary activities before taxation		3,769	3,505
Taxation	4	(1,200)	(1,081)
Profit on ordinary activities after taxation		2,569	2,424
Retained profit	9	2,569	2,424

The results disclosed above relate entirely to continuing operations

There is no difference between the profit on ordinary activities before taxation and the retained profit stated above and their historical cost equivalents

The Company had no recognised gains or losses during the year other than those reflected in the above profit and loss account

The notes on pages 6 to 9 form part of these financial statements

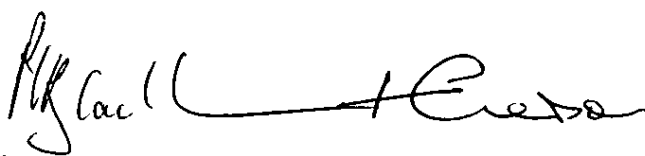
Affymax Technologies N.V.

Balance Sheet

As at 31st December 2007

		2007	2006
	Notes	\$'000	\$'000
Investments	5	-	-
Fixed assets		-	-
Debtors	6	77,505	75,423
Cash at bank		4	5
Current assets		77,509	75,428
Creditors: amounts due within one year	7	(23,073)	(23,561)
Net current assets		54,436	51,867
Total assets less current liabilities		54,436	51,867
Net assets		54,436	51,867
Capital and reserves			
Called up share capital	8	10,313	10,313
Share premium account	9	123,135	123,135
Profit and loss account	9	(79,012)	(81,581)
Equity shareholders' funds	10	54,436	51,867

The accounts on pages 4 to 9 were approved by the Board of Directors on 29th February 2008 and were signed on its behalf by:



P Blackburn
Director

R.Emerson
Director

29th February 2008

The notes on pages 6 to 9 form part of these financial statements

Affymax Technologies N.V

Notes to the Financial Statements for the year ended 31st December 2007

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below

(a) Basis of accounting

These financial statements have been prepared on the going concern basis, using the historical cost convention, and have been drawn up in accordance with UK generally accepted accounting principles and with UK accounting presentation

(b) Foreign currency transactions

Foreign currency transactions are booked in local currency at the exchange rate ruling on the date of the transaction, or at the forward rate if hedged by a forward exchange contract. Foreign currency assets and liabilities are translated into local currency at rates of exchange ruling at the balance sheet date, or at the forward rate. Exchange differences are included in trading profit.

(c) Fixed asset investments

Fixed asset investments are stated in the balance sheet at cost less any provision made for impairment in value. Such investments are classified as current assets when regarded as available for sale.

(d) Impairment of fixed assets

The carrying values of fixed assets are reviewed for impairment when there is an indication that the assets might be impaired. Any provision for impairment is charged against profit in the year concerned. First year impairment reviews are conducted for acquired goodwill and intangible assets. Certain intangibles are considered to have an indefinite life and are therefore not amortised. Such intangibles are subject to annual impairment tests. Impairment is determined by reference to the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows.

(e) Taxation

Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantially enacted at the balance sheet date.

The Company accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits. Deferred tax on the retained earnings of overseas subsidiaries is only provided when there is a binding commitment to distribute past earnings in future periods.

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. Deferred tax liabilities and assets are not discounted.

2 Operating expenses

	2007 \$'000	2006 \$'000
Exchange loss on foreign currency transactions	157	64
Administration expenses	72	60
	229	124

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee is charged. A management fee of \$54,040 (2006 - \$50,315) for services provided to the Company and an additional charge for auditors remuneration of \$ 6,667 (2006 - \$5,880) are charged by GlaxoSmithKline Services Unlimited.

Affymax Technologies N V

Notes to the Financial Statements for the year ended 31st December 2007

3 Net interest receivable

	2007 \$'000	2006 \$'000
Investment income		
On loans with group undertakings	4,072	3,703
Interest payable		
On settlement of United States tax liabilities	(74)	(74)
	3,998	3,629

4 Taxation

	2007 \$'000	2006 \$'000
Taxation charge based on profits for the period		
UK corporation tax at 30% (2006 - 30%)	1,200	1,090
Over provision in previous years	-	(9)
	1,200	1,081

	2007 \$'000	2006 \$'000
Reconciliation of the current taxation charge		
Profit on ordinary activities at the UK statutory rate 30%	1,131	1,052
Other permanent difference	69	38
Prior year adjustments to current tax	-	(9)
Current tax charge for the period	1,200	1,081

The rate of UK corporation tax will be reduced from 30% to 28% with effect from 1st April 2008

No provision is required for deferred taxation

5 Fixed asset investments

Company	Country of Incorporation	Class of shares held	Percentage shares held	Carrying value \$'000
Nuada Pharmaceuticals Inc (formerly Chemcodes Inc)	USA	Common	0.5	-
Affymax Inc	USA	Common	1.0	-
				-

Other Group companies also hold shares in Nuada Pharmaceuticals Inc and Affymax Inc giving the Group an aggregate holding of 5.0% and 5.7% respectively at 31st December 2007

Affymax Technologies N V.

Notes to the Financial Statements for the year ended 31st December 2007

6 Debtors

	2007 \$'000	2006 \$'000
Amounts due within one year		
Amounts owed by group undertakings	77,505	75,423
	77,505	75,423

7 Creditors

	2007 \$'000	2006 \$'000
Amounts due within one year		
Amounts owed to group undertakings	19,986	20,714
Taxation	2,018	1,909
Accruals and deferred income	1,069	938
	23,073	23,561

The corporation tax creditor contains amounts which will be paid to fellow group companies

8 Called up share capital - equity interests

	2007 Number of shares	2006 Number of shares	2007 \$'000	2006 \$'000
Authorised				
Common Shares of US\$1 each	24,000,000	24,000,000	24,000	24,000
Non Cumulative Preferred Shares of US\$1 each	1,000,000	1,000,000	1,000	1,000
Issued and fully paid				
Common Shares of US\$1 each	10,000,000	10,000,000	10,000	10,000
Non Cumulative Preferred Shares of US\$1 each	312,500	312,500	313	313

Each Common Share entitles its holder to cast one vote at general meetings. Preferred shareholders are not entitled to vote. Dividends are payable at the option of the shareholders in general meeting. Dividends shall be paid in the first instance to the holders of Preferred Shares, equal to 5 per cent of the nominal value of the Preferred Shares held by them. Such dividends are non-cumulative. In the event of a dissolution of the Company, any balance remaining after all debts have been settled shall be distributed to the holders of the Preferred Shares up to an amount equal to the nominal value of each Preferred Share. If there is a balance remaining, such balance shall be distributed to the holders of the Common Shares in proportion to their shareholdings.

Affymax N V, the parent company, has waived all rights to any cumulative dividends that may exist in respect of the preference shares issued by the Company.

9 Reserves - equity interests

	Profit & Loss account \$'000	Share Premium \$'000	Total Reserves \$'000
At 1st January 2007	(81,581)	123,135	41,554
Retained profit for the financial year	2,569	-	2,569
At 31st December 2007	(79,012)	123,135	44,123

Affymax Technologies N V.

Notes to the Financial Statements for the year ended 31st December 2007

10 Reconciliation of movements in shareholders' funds

	2007 \$'000	2006 \$'000
Profit for the financial year	2,569	2,424
Opening shareholders' funds	51,867	49,443
Closing shareholders' funds – equity interests	54,436	51,867

11 Contingent liabilities

The Company, together with fellow group undertakings has entered into a group banking arrangement with the Company's principal bankers. The bank holds the right to pay and apply funds from any account of the Company to settle any indebtedness to the bank of any other party to this agreement. The Company's maximum potential liability is limited to the amount held on its account with the bank. No loss is expected to accrue to the Company from the agreement.

12 Employees

The Company had no employees or related staff costs during the year (2006 - nil)

13 Directors' remuneration

During the year the Directors of the Company were remunerated as executives of the Group. They received no remuneration in respect of their services to the Company (2006 - nil)

14 Cash flow statement

A cash flow statement has been included in the consolidated financial statements of GlaxoSmithKline plc, the ultimate parent undertaking. As a wholly owned subsidiary of the ultimate parent undertaking, advantage has been taken of the exemption afforded by FRS 1 'Cash Flow Statements' (Revised 1996) not to prepare a cash flow statement.

15 Ultimate parent undertaking

GlaxoSmithKline plc, a company registered in England and Wales, is the Company's ultimate parent undertaking. The largest and smallest group of undertakings for which Group financial statements are prepared and which include the results of the Company, are the consolidated financial statements of GlaxoSmithKline plc. Copies of the consolidated financial statements can be obtained from The Company Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex TW8 9GS. The immediate parent undertaking is Affymax N V, which is incorporated in the Netherlands.

16 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, GlaxoSmithKline plc, advantage has been taken of the exemption afforded by FRS 8 'Related Party Disclosures' not to disclose any related party transactions within the Group. There are no other related party transactions.