

Registered No: SC179263

Geron Bio-Med Limited

Report and Financial Statements

31 December 2006

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25/02/2008

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COMPANIES HOUSE

Registered No SC179263

Directors

D Greenwood

T Okarma

Secretary

O Bloom

Auditors

Ernst & Young LLP

Ten George Street

Edinburgh

EH2 2DZ

Bankers

Bank of Scotland

The Mound

Edinburgh

EH1 1YZ

Solicitors

Dundas & Wilson

191 West George Street

Glasgow

G2 2LB

Registered office

Roslin Biocentre

Roslin

Midlothian

EH25 9PS

Directors' report

at 31 December 2006

The directors present their report and financial statements for the year ended 31 December 2006

Results and dividends

The profit for the year, after taxation, amounted to £61,000. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

Geron Corporation (US) is developing first in class biopharmaceuticals for the treatment of cancer and degenerative diseases, including spinal cord injury, heart failure, diabetes and HIV/AIDS. The company is advancing an anticancer drug and a cancer vaccine that target the enzyme telomerase through multiple clinical trials. Geron is also the world leader in the development of human embryonic stem cell based therapeutics, with its spinal cord injury treatment poised to be the first product to enter clinical development. In 2006, Geron entered a collaboration with the University of Edinburgh to conduct preclinical safety and efficacy studies with three cell types derived from human embryonic stem cells (hESCs). The cell types are hepatocytes for the treatment of liver failure and osteoblasts and chondrocytes for the treatment of musculoskeletal disorders, including osteoarthritis, bone fractures and osteoporosis.

Geron Bio-Med, Limited is a United Kingdom company and a wholly owned subsidiary of Geron Corporation. Geron Bio-Med Limited oversees the scientific research programs being conducted in the United Kingdom.

Directors

The directors who served the company during the year were as follows:

D Greenwood

T Okarma

There are no directors' interests requiring disclosure under the Companies Act 1985.

During the period the company purchased and maintained liability insurance for its directors and officers as permitted by section 310(3) of the Companies Act 1985.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report

at 31 December 2006

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the board



T Okarma

Director

15 February 2008

Statement of directors' responsibilities in respect of the financial statements

at 31 December 2006

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of Geron Bio-Med Limited

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the 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 transactions with the company 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 judgements 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.

Independent auditors' report

to the members of Geron Bio-Med Limited

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 as at 31 December 2006 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



Ernst & Young LLP

Registered Auditor

Edinburgh

22/2/08

Profit and loss account

for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Turnover	2	149	142
Cost of sales		255	231
		<u> </u>	<u> </u>
Gross loss		(106)	(89)
Administrative expenses		10	14
		<u> </u>	<u> </u>
Operating loss	3	(116)	(103)
Interest receivable and similar income	5	194	157
		<u> </u>	<u> </u>
Profit on ordinary activities before taxation		78	54
Tax on profit on ordinary activities	6	(17)	(9)
		<u> </u>	<u> </u>
Profit retained for the financial year		61	44
		<u> </u>	<u> </u>

All operations are continuing

Statement of total recognised gains and losses

for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Profit for the financial year		61	44
Total recognised gains and losses for the year		<u>61</u>	<u>44</u>
Prior year adjustment			
Total gains and losses recognised since the last annual report		<u>61</u>	<u>44</u>

Balance sheet

at 31 December 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Intangible assets	7	150	270
Tangible assets	8	11	7
		<u>161</u>	<u>277</u>
Current assets			
Debtors	9	4,284	4,106
Cash at bank		7	390
		<u>4,291</u>	<u>4,496</u>
Creditors amounts falling due within one year	10	44	426
		<u>4,247</u>	<u>4,070</u>
Net current assets			
		<u>4,408</u>	<u>4,347</u>
Total assets less current liabilities			
		<u>4,402</u>	<u>4,341</u>
Creditors amounts falling due after more than one year	11	6	6
		<u>4,402</u>	<u>4,341</u>
Capital and reserves			
Called up share capital	12	410	410
Share premium account	13	6,538	6,538
Profit and loss account	13	(2,546)	(2,607)
		<u>4,402</u>	<u>4,341</u>
Shareholders' funds			
		<u>4,402</u>	<u>4,341</u>

The financial statements were approved by the board on 15 February 2008 and signed on their behalf by



T Okarma

Director

15 February 2008

Statement of cash flows

for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Net cash outflow from operating activities	14(a)	(395)	(165)
Returns on investments and servicing of finance	14(b)	7	11
Taxation	14(c)		(13)
Capital expenditure	14(d)	5	2
Decrease in cash		<u>(383)</u>	<u>(164)</u>
Reconciliation of net cash flow to movement in net debt			
		2006 £000	2005 £000
Decrease in cash		(383)	(164)
Movement in net funds		<u>(383)</u>	<u>(164)</u>
Net funds at 1 January	14(e)	390	554
Net funds at 31 December	14(e)	<u>7</u>	<u>390</u>

Notes to the financial statements

at 31 December 2006

1 Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention

Research and development

Research and development expenditure is written off in the year in which it is incurred. Development expenditure is also written off, except where the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the company is expected to benefit.

Intangible fixed assets

Licences acquired from third parties are stated at cost, net of amortisation and provision for impairment. Licences are amortised on a straight line basis over the minimum term of the licence agreement which is ten years.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Lab Equipment	5 years straight line
Computer Equipment	2.5 years straight line

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Deferred tax is measured on a discounted/an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 December 2006

1 Accounting policies (continued)

Related party disclosure

The company has taken exemption from the requirement to disclose related party transactions on the basis that it is a wholly owned subsidiary

2 Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. All turnover relates to the UK.

3 Operating loss

This is stated after charging

	2006 £000	2005 £000
Auditors' remuneration		
audit services	5	5
non audit services	4	9
	<u> </u>	<u> </u>
Depreciation of owned fixed assets	6	6
Amortisation of licences	120	120
Gain on disposal of fixed assets	15	2

4. Staff costs

	2006 £000	2005 £000
Wages and salaries	89	61
Social security costs	2	1
	<u> </u>	<u> </u>

The monthly average number of employees during the year was as follows

	2006 No	2005 No
Administrative staff	2	2
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2006

5. Interest receivable

	2006 £000	2005 £000
Bank interest receivable	7	11
Interest from group undertakings	187	146
	<u>194</u>	<u>157</u>

6. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2006 £000	2005 £000
<i>Current tax</i>		
UK corporation tax	17	9
Total current tax (note 6(b))	<u>17</u>	<u>9</u>

(b) Factors affecting current tax charge

The differences are reconciled below

Profit on ordinary activities before tax	78	54
Profit/(loss) on ordinary activities at the standard rate of tax of 19% (2005 19%)	15	10
Capital allowances in excess of depreciation	2	(1)
Total current tax (note 6(a))	<u>17</u>	<u>9</u>

(c) Factors that may affect future tax charges

As at 31 December 2006 there is an unrecognised deferred tax asset amounting to £463,700 (2005 £461,610). The Directors do not consider that it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

at 31 December 2006

7 Intangible fixed assets

	<i>2006</i> <i>£000</i>
Cost	
At 31 December 2005 and 31 December 2006	1,200
Amortisation	
At 31 December 2005	930
Provided during the year	120
At 31 December 2006	<u>1,050</u>
Net Book Value	
At 31 December 2006	<u>150</u>
At 31 December 2005	<u>270</u>

8. Tangible fixed assets

	<i>Plant & Machinery</i> <i>£000</i>	<i>Equipment</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Cost			
At 31 December 2005	93	9	102
Additions	10	1	11
Disposals	(62)	(3)	(65)
At 31 December 2006	<u>41</u>	<u>7</u>	<u>48</u>
Depreciation			
At 31 December 2005	86	9	95
Provided during the year	6		6
Disposals	(61)	(3)	(64)
At 31 December 2006	<u>31</u>	<u>6</u>	<u>37</u>
Net Book Value			
At 31 December 2006	<u>10</u>	<u>1</u>	<u>11</u>
At 31 December 2005	<u>7</u>		<u>7</u>

Notes to the financial statements

at 31 December 2006

9. Debtors

	2006 £000	2005 £000
Trade debtors	3	15
Amounts owed to group undertakings	4,279	4,067
Other debtors		1
Prepayments and accrued income	2	23
	<u>4,284</u>	<u>4,106</u>

10. Creditors, amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	2	226
Corporation tax	26	9
Other taxation and social security	3	4
Accruals and deferred income	13	187
	<u>44</u>	<u>426</u>

11. Creditors amounts falling due after more than one year

	2006 £000	2005 £000
Liability component of preference shares	6	6
	<u>6</u>	<u>6</u>

The company may redeem the 'D' ordinary shares at any time in return for the payment of an aggregate sum of £1 to the registered holder 'D' ordinary shares have no voting rights 'D' ordinary shares are not entitled to dividends

Notes to the financial statements

at 31 December 2006

12 Share capital

	<i>Authorised</i>	
	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Equity 'A' ordinary shares of £1 each	172	172
Equity 'B' ordinary shares of £1 each	248	248
Equity 'C' ordinary shares of £1 each	20	20
	<u>440</u>	<u>440</u>

		<i>Allotted and called up</i>	
		<i>2006</i>	<i>2005</i>
	<i>No</i>	<i>£000</i>	<i>No</i>
			<i>£000</i>
Equity 'A' ordinary shares of £1 each	172,000	172	172,000
Equity 'B' ordinary shares of £1 each	218,000	218	218,000
Equity 'C' ordinary shares of £1 each	20,000	20	20,000
		<u>410</u>	<u>410</u>

a) Income

All classes of ordinary shares, other than 'D' ordinary shares rank equally for dividends

b) Capital

On the return of assets on liquidation or capital reduction, the repayment of capital shall be in the following order

First, in paying to the holders of the 'A' ordinary shares, an amount per share equal to the aggregate amount subscribed for all the issued 'A' ordinary shares and 'D' ordinary shares together with a sum equal to any arrears or accruals of the dividends on the 'A' ordinary shares calculated to the date of the return on capital,

Second, in paying to the holders of the 'B' and 'C' ordinary shares the sum paid per share on each 'A' ordinary share together with a sum equal to any arrears or accruals of the dividends on the ordinary shares calculated to the date of the return of capital, and the balance of such assets shall be distributed amongst the holders of the equity shares in proportion to the amounts paid up or credited as paid up on the equity shares held by them respectively, and

After the equity shareholders have received £1,000 per share the holders of the 'D' ordinary shares will receive £0.01 per share

c) Voting

Equity shares carry one vote per share

Notes to the financial statements

at 31 December 2006

13 Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Share premium account</i>	<i>Profit & loss account</i>	<i>Total share holders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 31 December 2005	416	6,538	(2,607)	4,347
Profit for the year			61	61
At 31 December 2006	<u>416</u>	<u>6,538</u>	<u>(2,546)</u>	<u>4,408</u>

14 Notes to the statement of cash flows

(a) Reconciliation of operating loss to net cash outflow from operating activities

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Operating loss	(116)	(103)
Depreciation	6	6
Gain on disposal of fixed assets	(15)	(2)
Amortisation of goodwill	120	120
Decrease /(increase) in debtors	9	(316)
(Decrease) /increase in creditors	(399)	130
Net cash outflow from operating activities	<u>(395)</u>	<u>(165)</u>

(b) Returns on investments and servicing of finance

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Interest received	7	11
	<u>7</u>	<u>11</u>

Notes to the financial statements

at 31 December 2006

14. Notes to the statement of cash flows (continued)

(c) Taxation

	2006	2005
	£000	£000

Corporation tax paid		(13)
	<u> </u>	<u> </u>

(d) Capital expenditure

	2006	2005
	£000	£000
Payments to acquire tangible fixed assets	(11)	
Receipts from sales of tangible fixed assets	16	2
	<u> </u>	<u> </u>
	5	2
	<u> </u>	<u> </u>

(e) Analysis of changes in net debt

	At 31 December 2005 £000	Cash flows £000	At 31 December 2006 £000
Cash at bank and in hand	390	(383)	7
	<u> </u>	<u> </u>	<u> </u>
	390	(383)	7
	<u> </u>	<u> </u>	<u> </u>

15 Ultimate parent company

The company's parent company and ultimate controlling party is Geron Corporation, which is incorporated in the USA. Copies of the group financial statements are available from www.geron.com