

Geron Bio-Med Limited

Report and Financial Statements

31 December 2007



Geron Bio Med Limited

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

4th Floor
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

Statement of directors' responsibilities in respect of the financial statements

The directors present their report and financial statements for the year ended 31 December 2007

Results and dividends

The profit for the year, after taxation, amounted to £72,000 (2006 £61,000) The directors do not recommend the payment of any dividends

Principal activities and review of the business

Geron Corporation is developing first in class biopharmaceuticals for the treatment of cancer and chronic degenerative diseases, including spinal cord injury, heart failure and diabetes Geron is advancing telomerase targeted therapies, including an anti cancer drug and a cancer vaccine, 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 anticipated to be the first such 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 and their interests

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

Charitable Contributions

During the year, the company made a charitable contribution of £1,500 to the Scottish Stem Cell Network

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 company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

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

July 30, 2008

Statement of directors' responsibilities in respect of the financial statements

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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,
- 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 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.

Independent auditors' report

to the members of Geron Bio Med Limited

We have audited the financial statements of Geron Bio Med Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. These financial statements have been prepared under 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' responsibilities for the preparing of the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (UK 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).

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 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

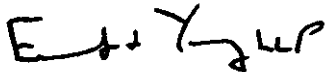
Independent auditors' report

to the members of Geron Bio-Med Limited (continued)

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 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



Ernst & Young LLP
Registered Auditor
Edinburgh

14/8/2008

Profit and Loss Account

for the year ended 31 December 2007

	<i>Notes</i>	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Turnover	2	196	149
Cost of sales		287	255
		<hr/>	<hr/>
Gross loss		(91)	(106)
Administrative expenses		12	10
		<hr/>	<hr/>
Operating loss	3	(103)	(116)
Interest receivable and similar income	5	209	194
		<hr/>	<hr/>
Profit on ordinary activities before taxation		106	78
Tax on profit on ordinary activities	6	(34)	(17)
		<hr/>	<hr/>
Profit retained for the financial year		72	61
		<hr/>	<hr/>

All operations are continuing

There are no recognised gains and losses other than the retained profit of the company of £72,000 in the year ended 31 December 2007 (2006 £61,000)

Balance Sheet

at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Intangible assets	7	30	150
Tangible assets	8	4	11
		<u>34</u>	<u>161</u>
Current assets			
Debtors	9	4,497	4,284
Cash at bank		13	7
		<u>4,510</u>	<u>4,291</u>
Creditors amounts falling due within one year	10	64	44
		<u>4,446</u>	<u>4,247</u>
Net current assets			
		<u>4,480</u>	<u>4,408</u>
Total assets less current liabilities			
Creditors amounts falling due after more than one year	11	6	6
		<u>4,474</u>	<u>4,402</u>
Capital and reserves			
Called up share capital	12	410	410
Share premium account	13	6,538	6,538
Profit and loss account	13	(2,474)	(2,546)
		<u>4,474</u>	<u>4,402</u>
Shareholders' funds			
		<u>4,474</u>	<u>4,402</u>

The financial statements were approved by the board on 30 July 2008 and signed on their behalf by



T Okarma

Director

July 30, 2008

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention

Cash Flow Statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements

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 2007

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

Going Concern

The company's ultimate parent undertaking, Geron Corporation, has confirmed that it will continue to provide such financial support as the company may need from time to time, for the foreseeable future to enable it to continue to trade and meet its liabilities as they fall due

Revenue Recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding VAT and other sales taxes or duty

2. Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the UK and excludes value added tax

3 Operating loss

This is stated after charging

	2007 £000	2006 £000
Auditors' remuneration		
audit services	4	5
non audit services	7	4
Depreciation of owned fixed assets	8	6
Amortisation of licences	120	120
Gain/(loss) on disposal of fixed assets	(1)	15
	<u> </u>	<u> </u>

4 Staff costs

	2007 £000	2006 £000
Wages and salaries	98	89
Social security costs	4	2
	<u> </u>	<u> </u>
	102	91
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2007

4. Staff costs (continued)

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

	2007 No	2006 No
Administrative staff	2	2

5. Interest receivable

	2007 £000	2006 £000
Bank interest receivable	1	7
Interest from group undertakings	208	187
	209	194

6. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007 £000	2006 £000
<i>Current tax</i>		
UK Corporation tax	33	17
Adjustments in respect of previous periods	1	
Total current tax (note 6(b))	34	17

Notes to the financial statements

at 31 December 2007

6. Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The differences are reconciled below

	2007 £000	2006 £000
Profit on ordinary activities before tax	106	78
Profit on ordinary activities at the standard rate of tax of 20% (2006 – 19%)	21	15
Capital allowances in excess of depreciation	12	2
Adjustments in respect of previous periods	1	
Total current tax (note 6(a))	34	17

(c) Factors that may affect future tax charges

The company has an unrecognised deferred tax asset of £501,431 (2006 £463,700) comprised mainly of trading losses carried forward. This asset has not been recognised as there is insufficient evidence of suitable taxable profits against which the asset can reverse in the foreseeable future.

7 Intangible fixed assets

	2007 £000
Cost	
At 31 December 2006 and 31 December 2007	1,200
Amortisation	
At 31 December 2006	1,050
Provided during the year	120
At 31 December 2007	1,170
Net book value	
At 31 December 2007	30
At 31 December 2006	150

Notes to the financial statements

at 31 December 2007

8. Tangible fixed assets

	<i>Plant and machinery</i> £000	<i>Equipment</i> £000	<i>Total</i> £000
Cost			
At 31 December 2006	41	7	48
Additions	1	-	1
Disposals		(1)	(1)
At 31 December 2007	42	6	48
Depreciation			
At 31 December 2006	31	6	37
Provided during the year	7	-	7
Disposals			
At 31 December 2007	38	6	44
Net book value			
At 31 December 2007	4		4
At 31 December 2006	10	1	11

9 Debtors

	<i>2007</i> £000	<i>2006</i> £000
Trade debtors	2	3
Amounts owed to group undertakings	4,494	4,279
Prepayments and accrued income	1	2
	4,497	4,284

10 Creditors: amounts falling due within one year

	<i>2007</i> £000	<i>2006</i> £000
Trade creditors		2
Corporation tax	53	26
Other taxation and social security		3
Accruals and deferred income	11	13
	64	44

Notes to the financial statements

at 31 December 2007

11 Creditors: amounts falling due after more than one year

	2007	2006
	£000	£000
Liability component of preference shares	6	6

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

12. Share capital

			<i>Authorised</i>	
		2007	2006	
		£000	£000	
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	
		440	440	

			<i>Allotted and called up</i>	
		2007	2006	
	No	£000	No	£000
Equity – 'A' ordinary shares of £1 each	172,000	172	172,000	172
Equity – 'B' ordinary shares of £1 each	218,000	218	218,000	218
Equity – 'C' ordinary shares of £1 each	20,000	20	20,000	20
		410		410

(a) Income

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

Notes to the financial statements

at 31 December 2007

12. Share capital (continued)

(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

13. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total share holders' funds £000</i>
At 31 December 2005	410	6,538	(2,607)	4,341
Profit for the year			61	61
At 31 December 2006	410	6,538	(2,546)	4,402
Profit for the year			72	72
At 31 December 2007	410	6,538	(2,474)	4,474

14. 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