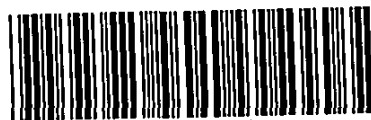


# Hunter-Fleming Limited

## Report and Financial Statements

31 December 2010

MONDAY



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COMPANIES HOUSE

# Hunter-Fleming Limited

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Registered No 03720556

## **Directors**

L Benatti

S Weber

## **Auditors**

Ernst & Young LLP

The Paragon

Counterslip

Bristol

BS1 6BX

## **Bankers**

BNP Paribas

Fortis Bank S A -N V

10 Harewood Avenue

London

NW1 6AA

## **Solicitors**

Burroughs Day

14-16 Charlotte Street

Bristol

BS1 5PT

## **Registered Office**

Grosvenor House

1 New Road

Brixham

Devon

TQ5 8LZ

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2010

### Principal activity and review of business

The principal activity of the company is that of pharmaceutical development

Hunter-Fleming is an emerging pharmaceutical company, specialising in the development of radically novel therapeutics, diagnostics and technologies relevant to the treatment of significant unmet medical needs. The Company's focus is on neurodegenerative disorders of the central nervous system (CNS), and inflammation.

A decision was made by the company's parent on 17<sup>th</sup> December 2009 to scale down the UK activities of the company and to shelve further activities.

The whole of the company's shares continue to be held by Newron Pharmaceuticals S p A.

The retained loss for the year amounts to £312,629 (2009 £1,359,674). The directors do not recommend the payment of a dividend.

### Directors

The directors who served during the year ended 31 December 2010 are as listed on page 1.

### 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.

### Re-appointment of auditors

A resolution to reappoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

### Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position and the principle risks and uncertainties are described above.

The company is a wholly owned subsidiary of Newron Pharmaceuticals S p A. Newron Pharmaceuticals S p A have confirmed that they will continue to provide financial support to the company for a period of at least 12 months from the date of these financial statements.

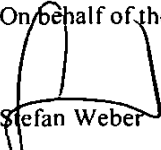
The directors, having reviewed the financial plans of Newron Pharmaceuticals S p A, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Newron Pharmaceuticals group to continue as a going concern or its ability to continue with current loan arrangements.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

## Directors' report

The company has taken advantage of the small companies' exemption in preparing this report

On behalf of the Board



Stefan Weber

Director

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the directors' report and 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). 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 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,
- 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 company 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 to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditor's report**

## **to the members of Hunter-Fleming Limited**

We have audited the financial statements of Hunter-Fleming Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 (APB's) Ethical Standards for Auditors.

### **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 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 report and financial statements 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 company's affairs as at 31 December 2010 and of its loss 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:

## Independent auditor's report

to the members of Hunter-Fleming Limited

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

*Ernst & Young LLP*

Briony Kempton (Audit Director)

For and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

*27 February* 2012

## Profit and loss account

For the year ended 31 December 2010

	Notes	2010 £	2009 £
Income		-	-
Research and development expenditure		(9,629)	(389,453)
Administrative expenses		(303,000)	(819,770)
<b>Operating loss</b>	2	(312,629)	(1,209,223)
<b>Loss on ordinary activities before interest and taxation</b>		(312,629)	(1,209,223)
Restructuring costs	3	-	(169,916)
Interest receivable		-	1,085
Interest payable	5	-	(15,791)
<b>Loss on ordinary activities before taxation</b>		(312,629)	(1,393,845)
Tax on loss on ordinary activities	6	-	34,171
<b>Loss on ordinary activities after taxation</b>		(312,629)	(1,359,674)
<b>Retained loss for the year</b>	13	(312,629)	(1,359,674)

The company's results for the year above are derived entirely from continuing activities

There were no recognised gains or losses other than the loss of £312,629 for the year (2009 loss of £1,359,674) and therefore no separate statement of total recognised gains and losses has been presented



## Balance sheet

As at 31 December 2010

	Notes	2010 £	2009 £
<b>Fixed assets</b>			
Tangible assets	7	4,623	5,656
Investments	8	-	-
		<u>4,623</u>	<u>5,656</u>
<b>Current assets</b>			
Debtors	9	124,688	193,316
Cash at bank and in hand		113,987	228,782
		<u>238,675</u>	<u>422,098</u>
<b>Creditors</b> amounts falling due within one year	10	(68,249)	(390,570)
		<u>170,426</u>	<u>31,528</u>
<b>Net current assets</b>			
		175,049	37,184
<b>Total assets less current liabilities</b>			
		175,049	37,184
<b>Creditors</b> amounts falling due after more than one year	11	(1,800,000)	(1,350,000)
		<u>(1,624,951)</u>	<u>(1,312,816)</u>
<b>Total liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	12	220,327	220,327
Share premium	13	23,905,910	23,905,416
Profit and loss account	13	(25,751,188)	(25,438,559)
		<u>(1,624,951)</u>	<u>(1,312,816)</u>
<b>Total equity shareholders' deficit</b>			

Approved and authorised for issue by the Board on Feb 22, 2012 and signed on its behalf by -

Mr Stefan Weber  
Director

## Notes to the financial statements

At 31 December 2010

### 1. Accounting policies

#### *Fundamental accounting policies*

The accounts have been prepared under the going concern basis because the parent company has agreed not to recall amounts advanced to the company (which at 31<sup>st</sup> December 2010 amounted to £1,800,000) in preference to third party creditors and to provide adequate funds for the company to meet its liabilities as they fall due

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention

#### *Depreciation*

Depreciation has been provided at the following rates in order to write off the assets over their estimated useful lives

Computer equipment                      -            20% reducing balance

#### *Cash flow*

The directors have taken advantage of the exemptions in Financial Reporting Standard No 1 from including a cash flow statement in the accounts

#### *Foreign currencies*

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

#### *Research and development*

Research expenditure is written off as incurred

#### *Taxation*

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

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, or a right to pay less, tax in the future have occurred. Deferred tax assets are recognised only if recovery without replacement by equivalent debit balances is reasonably certain

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the period in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date

#### *Pensions*

The group operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme. These payments are continuing to be made over the notice period. The company ceased to make any contributions to the scheme with effect from 1<sup>st</sup> April 2010

#### *Operating leases*

The rentals (if applicable) under operating leases are charged to the profit and loss account on a straight line basis over the lease term

## Notes to the financial statements

At 31 December 2010

### 2. Operating loss

	2010 £	2009 £
Rentals – land and buildings	15,577	95,454
Depreciation of owned fixed assets	1,033	7,178
Auditors' remuneration	10,282	30,366
Loss on disposal of assets	-	27,215
	<u>          </u>	<u>          </u>

### 3 Restructuring costs

	2010 £	2009 £
Staff notice and compensation payments	-	<u>169,916</u>
	<u>          </u>	<u>          </u>

### 4. Staff costs

	2010 £	2009 £
Wages and salaries	2,035	453,504
Social security costs	-	40,997
Other pension costs	11,167	46,926
	<u>13,202</u>	<u>541,427</u>
	<u>          </u>	<u>          </u>

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

	2010 No	2009 No
Administration and patent	-	2
Research and development	-	4
	<u>-</u>	<u>6</u>
	<u>          </u>	<u>          </u>

No compensation was paid to the serving directors of the company during the year as they were remunerated by the parent company

### 5. Interest payable and similar charges

	2010 £	2009 £
Other loans	-	15,791
	<u>-</u>	<u>15,791</u>
	<u>          </u>	<u>          </u>

## Notes to the financial statements

At 31 December 2010

### 6. Tax on loss on ordinary activities

	2010 £	2009 £
<b>UK corporation tax credit.</b>		
UK corporation tax recovered on results of the year	-	24,260
Adjustment in respect of previous year	-	9,911
	<u>-</u>	<u>34,171</u>

#### **Factors affecting the tax charge for the year**

The tax charged on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK

The differences are explained below

	2010 £	2009 £
Loss on ordinary activities before tax	312,629	1,393,845
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	87,536	390,277
<b>Effect of</b>		
Disallowable expense	-	-
Other timing differences	-	(7,620)
R&D tax credits – current year	-	(24,260)
Tax losses	(87,536)	(313,055)
FRS 20	-	-
Other	-	(1,260)
Adjustments in respect of prior years	-	(9,911)
	<u>-</u>	<u>34,171</u>

There is an unrecognised deferred tax asset of £4,373,854 (2009 £4,286,318) the asset arises predominantly on trading losses, which are available to carry forward. The asset is recoverable against future profits of the same trade.

## Notes to the financial statements

At 31 December 2010

### 7. Tangible fixed assets

	<i>Plant, machinery, computer equipment &amp; improvements</i>	<i>£</i>
<b>Cost.</b>		
At 1 January 2010		25,597
Additions		-
Disposals		-
At 31 December 2010		25,597
<b>Depreciation:</b>		
At 1 January 2010		19,941
Charge for the year		1,033
Disposals		-
At 31 December 2010		20,974
<b>Net book value:</b>		
At 31 December 2010		4,623
At 31 December 2009		5,656

### 8. Investment

In 2006 the group disposed of HF 1020 in return for 17% of the shares of Trident Pharmaceuticals Inc  
The cost of the investment was nil to the company

### 9. Debtors

	<i>2010</i>	<i>2009</i>
	<i>£</i>	<i>£</i>
Taxation recoverable	87,871	87,871
Other debtors	12,555	33,915
Prepayments	24,262	71,530
	124,688	193,316

### 10. Creditors: amounts falling due within one year

	<i>2010</i>	<i>2009</i>
	<i>£</i>	<i>£</i>
Trade creditors	48,549	149,857
Other taxes and social security costs	-	38,412
Accruals and other creditors	19,700	202,301
	68,249	390,570



## Notes to the financial statements

At 31 December 2010

### 14. Other financial commitments

At 31 December 2010 the company had commitments under operating leases as set out below

	<i>Land and buildings</i>	
	<i>2010</i>	<i>2009</i>
	£	£
<b><i>Operating leases which expire</i></b>		
- within one year	-	7,585
	<u>          </u>	<u>          </u>

### 15. Related parties

The company is exempt from disclosing transactions with group companies under FRS8

There were no other material transactions in the period

### 16. Parent undertaking

The parent undertaking is Newron Pharmaceuticals S p A, a company incorporated in Italy and quoted on the Swiss stock exchange. The group financial statements are publicly available.