

**PROGENY BIOVENTURES LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2008**

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# **PROGENY BIOVENTURES LIMITED**

## **COMPANY INFORMATION**

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**Directors**

G P Evans  
I F Griffiths  
A D W Newland

**Secretary**

I F Griffiths

**Company number**

03575952

**Registered office**

3 Frederick Sanger Road  
The Surrey Research Park  
Guildford  
Surrey  
GU2 7YD

**Auditors**

Baker Tilly UK Audit LLP  
The Clock House  
140 London Road  
Guildford  
Surrey  
GU1 1UW

# **PROGENY BIOVENTURES LIMITED**

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# **PROGENY BIOVENTURES LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 APRIL 2008**

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The Directors present their Report and Financial Statements for the year ended 30 April 2008.

The Directors who held office as at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company auditors are unaware; and each Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company auditors are aware of that information.

### **Principal activity and review of the business**

The principal activity of the Company is that of a holding company for a number of biotechnology companies previously established by the Company.

**Acolyte Biomedica** was sold to 3M Corporation. Progeny Bioventures' share of the proceeds included an earn-out of up to £1.7 million receivable early in 2010. After the year end, the deferred consideration has become subject to dispute between the former shareholders and the purchaser. Legal advice has been received that the former Acolyte shareholders have a strong case.

**NeuroTargets** is developing therapeutics for pain and nerve injury in the areas of neuropathic and inflammatory pain. The Company is operating on a low cost basis whilst continuing to develop its technology.

**Provexis** (AIM:PXS) develops scientifically-proven functional and medical foods. During the year Provexis completed a £2.1 million fundraising and announced a long-term collaboration agreement with Unilever plc to develop a new format of its patented Fruitflow® heart-health technology.

The principal risks and uncertainties facing the Company are that the portfolio companies fail to achieve commercial success or fail to secure the necessary funding required to progress their development and as a consequence the Company is unable to realise its investment. The nature of our relationship with the portfolio companies is that of a passive investor and as a result it is difficult for the Company to influence the outcome.

### **Results and dividends**

The results for the year are set out on page 5. The Directors do not recommend the payment of a dividend for the year.

### **Directors**

The following Directors have held office since 1 May 2007:

G P Evans  
I F Griffiths  
A D W Newland

## **PROGENY BIOVENTURES LIMITED**

### **DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 30 APRIL 2008**

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#### **Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Baker Tilly UK Audit LLP be reappointed as auditors of the Company will be put to the Annual General Meeting.

#### **Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and the 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. 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;
- ♦ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ♦ 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 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.

By order of the Board



.....  
A D W Newland  
**Director**  
26 February 2009

# **PROGENY BIOVENTURES LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PROGENY BIOVENTURES LIMITED**

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We have audited the Financial Statements on pages 5 to 13.

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 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**

The directors' responsibilities for preparing the Annual Report and 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).

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 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.

# PROGENY BIOVENTURES LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PROGENY BIOVENTURES LIMITED

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### 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 30 April 2008 and of its loss for the year then ended and 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.

### Emphasis of matter – Going concern

In forming our opinion on the Financial Statements, which is not qualified, we have considered the adequacy of the disclosure made in Note 1.2 to the Financial Statements concerning the Company's ability to continue as a going concern. The Company incurred a net loss of £204,628 during the year ended 30 April 2008 and, at that date, the Company's current liabilities exceeded its total assets by £874,584. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Financial Statements have been prepared on a going concern basis which is dependent on the continued support of the Company's ultimate parent company. The Financial Statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

*Baker Tilly UK Audit LLP*

**Baker Tilly UK Audit LLP**  
Chartered Accountants and Registered Auditors

26 February 2009  
Guildford

# PROGENY BIOVENTURES LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 APRIL 2008

	Notes	2008 £	2007 £
Turnover	2	3,763	11,865
Operating costs	3	591	(75,046)
Profit / (loss) on disposal / (impairment) of fixed asset investment	5	-	734,621
<b>Operating profit / (loss)</b>		3,172	671,440
Profit / (loss) on increase / (decrease) in value of current asset investment	6	(207,800)	(1,518,536)
<b>Profit / (loss) on ordinary activities before taxation</b>		(204,628)	(847,096)
Tax on profit / (loss) on ordinary activities	4	-	-
<b>Profit / (loss) on ordinary activities after taxation</b>	10	(204,628) =====	(847,096) =====

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.

# PROGENY BIOVENTURES LIMITED

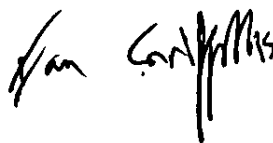
## BALANCE SHEET AS AT 30 APRIL 2008

	Notes	2008 £	2007 £
<b>Fixed assets</b>			
Investments	5	-	-
<b>Current assets</b>			
Investments	6	511,507	719,307
Debtors – due within one year	7	-	20,612
Debtors – due after one year	7	686,223	686,223
		<u>1,197,730</u>	<u>1,426,142</u>
<b>Creditors: amounts falling due within one year</b>	8	(2,072,314)	(2,096,098)
<b>Net current assets / (liabilities)</b>		<u>(874,584)</u>	<u>(669,956)</u>
<b>Net assets / (liabilities)</b>		<u>(874,584)</u> =====	<u>(669,956)</u> =====
<b>Capital and reserves</b>			
Called up share capital	9	1,000	1,000
Profit and loss account	10	(875,584)	(670,956)
<b>Shareholders' funds</b>	11	<u>(874,584)</u> =====	<u>(669,956)</u> =====

The Financial Statements on pages 5 to 13 were approved by the Board of Directors and authorised for issue on 26 February 2009 and are signed on its behalf by:



.....  
A D W Newland  
Director



.....  
I F Griffiths  
Director

# **PROGENY BIOVENTURES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2008**

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### **1 Accounting policies**

#### **1.1 Accounting convention**

The Financial Statements are prepared under the historical cost convention. The Financial Statements are prepared in accordance with applicable United Kingdom accounting standards.

The Directors have, in accordance with sections 226 and 227 of the Companies Act 1985, departed from the standard format of the profit and loss account in presenting the Financial Statements. Profits and losses on disposals or impairments of investments are included in "Other operating income" within operating profit as these represent a return from a principal class of business activity. Where the disposal is not fully in cash, for example, shares or earn-out, then any subsequent change in value is outside of the Company's control and is excluded from operating profit. Other material disposals of fixed assets, such as property, that are not part of the main business activities are shown below operating profit in accordance with the Companies Act 1985 and Financial Reporting Standard 3 – Reporting Financial Performance.

On the grounds the Company is a small company, as defined in the Companies Act 1985, the Company has taken advantage of the exemption conferred by Financial Reporting Standard 1 and has therefore not prepared a cash flow statement.

#### **1.2 Going concern**

After making enquiries, the Directors have a reasonable expectation that the ultimate parent company, ANGLE Plc, will continue to support and develop the Company. The Financial Statements have been prepared on a going concern basis which assumes that the Company will be able to continue in operational existence for the foreseeable future. The validity of this assumption depends on the ultimate parent company continuing to provide the funds necessary to support the Company and not demanding the repayment of the amounts owed to group undertakings for a period of at least 12 months from the date of approval of these Financial Statements.

If the Company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Whilst the Directors are presently uncertain as to the outcome of the matters referred to above, they believe that it is appropriate for the Financial Statements to be prepared on a going concern basis.

#### **1.3 Turnover**

Turnover represents amounts receivable for goods and services net of value added tax.

#### **1.4 Research and Development**

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

# PROGENY BIOVENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 APRIL 2008

### 1.5 Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### 1.6 Fixed Asset Investments

Fixed asset investments are carried at the lower of pre-transaction carrying amount or cost, less provision for diminution in value. Carrying values are reviewed on a regular basis by the Directors. Provisions for diminution in value are based upon an assessment of events or changes in circumstances that indicate an impairment has occurred. The Company holds all equity investments exclusively as part of its investment portfolio, with a view to their disposal and the ultimate realisation of capital gains.

The Directors consider that treating all investments consistently as a single asset class allows a better understanding of the Company's activities by removing the accounting variability of associate accounting methods.

All of the Company's participating interests are in companies and are referred to as "investments" throughout these Financial Statements.

### 1.7 Current asset investments

Short term investments are classified as current assets and are valued at the bid price at the balance sheet date.

### 1.8 Group accounts

The Financial Statements present information about the Company as an individual undertaking and not about its Group. The Company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of ANGLE Technology Limited, which is a wholly owned subsidiary of ANGLE plc, a company incorporated in Great Britain, and is included in the consolidated accounts of that company.

## 2 Turnover

The £3,763 total turnover of the Company (2007 - £11,865) has been derived from the provision of Management Support Services to Ventures in the UK.

## 3 Operating costs

	2008 £	2007 £
Other operating costs	591	75,046
	=====	=====

Auditors' remuneration has been borne by the parent company.

# PROGENY BIOVENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 APRIL 2008

### 4 Tax on profit /(loss) on ordinary activities

As a result of the Company's furtherance of its core activity of developing its biotechnology companies, taxable losses have been incurred which are available for offset against future taxable profits. The Company is also eligible for, and takes advantage of, the substantial shareholdings relief UK corporation tax exemption. This results in the gain from any disposals of UK investments where the Group has an equity stake greater than 10%, and subject to certain other tests, being free of corporation tax. A deferred tax asset has not been recognised in respect of these losses as the Company does not anticipate taxable profits to arise within the immediate future.

	2008 £	2007 £
<b>Current tax:</b>		
UK corporation tax	-	-
	<hr/>	<hr/>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
<b>Tax on profit /(loss) on ordinary activities</b>	-	-
	=====	=====

The estimated value of the deferred tax asset not recognised, measured at a standard rate of 28% (2007: 30%) is £374,823 (2007: £401,596).

#### UK corporation tax

Profit / (loss) on ordinary activities before tax	(204,628)	(847,096)
	=====	=====
Tax on profit / (loss) on ordinary activities at 29.84% (2007: 30%)	(61,061)	(254,129)
Factors affecting tax charge:		
Disallowable expenses	(1,297)	9,097
Diminution in value of investment	62,007	455,561
Unutilised losses carried forward	351	9,857
Substantial shareholding exemption on gain	-	(220,386)
	<hr/>	<hr/>
Current tax charge for year	-	-
	=====	=====

# PROGENY BIOVENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 APRIL 2008

### 5 Fixed asset investments

	Cost £	Net Book Value £
<b>Shares in investments</b>		
At 1 May 2007 and at 30 April 2008	50,799	-
	=====	=====

Investments held at the year end comprise the following:

Company	Principal activity	Class	Shares held %
NeuroTargets Limited <sup>(1)(2)(3)</sup>	New drug targets	Ordinary	23.29

(1) Incorporated in Great Britain.

(2) The effective holdings shown are before the effects of any dilutive share options or warrants within the individual investments.

(3) Recent financial statements are not always publicly available and management information is deemed commercially sensitive. Net assets and profit / (loss) figures are therefore based on publicly available information – results statements or the most recently filed Accounts with Companies House.

The aggregate amount of capital and reserves and the results of these investments for the last relevant financial year were as follows:

	Date of financial statements	Net Liabilities £	Loss for the year £
NeuroTargets Limited	30/04/2007	(253,464)	(54,536)
		=====	=====

### 6 Current asset investments

	2008 £	2007 £
Net Book value	719,307	2,237,843
Change in value	(207,800)	(1,518,536)
	=====	=====
<b>Market value</b>		
Listed investments at 30 April	511,507	719,307
	=====	=====

Current asset investments are valued at the bid price at the balance sheet date. They comprise shares in Provexis plc which is listed on the Alternative Investment Market.

# PROGENY BIOVENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 APRIL 2008

<b>7 Debtors</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year</b>		
Other debtors	-	20,612
	=====	=====
<b>Amounts falling due after one year</b>		
Other receivables	686,223	686,223
	=====	=====

Other receivables relates to the value ascribed to the earn-out from the sale of Acolyte Biomedica to 3M.

<b>8 Creditors: amounts falling due within one year</b>		
Other taxes and social security costs	45	-
Amounts owed to group undertakings	2,072,269	2,096,098
	2,072,314	2,096,098
	=====	=====

<b>9 Share capital</b>		
<b>Authorised</b>		
950 (2007: 950) Ordinary 'A' shares of £1 each	950	950
50 (2007: 50) Ordinary 'B' shares of £1 each	50	50
	1,000	1,000
	=====	=====
<b>Allotted, called up and fully paid</b>		
950 (2007: 950) Ordinary 'A' shares of £1 each	950	950
50 (2007: 50) Ordinary 'B' shares of £1 each	50	50
	1,000	1,000
	=====	=====

The 'A' shares have voting rights while the 'B' shares have no voting rights. In all other respects the shares rank pari passu.

<b>10 Statement of movements on profit and loss account</b>	<b>Profit and loss account £</b>
Balance at 1 May 2007	(670,956)
Retained profit / (loss) for the year	(204,628)
	=====
Balance at 30 April 2008	(875,584)
	=====

# PROGENY BIOVENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 APRIL 2008

<b>11 Reconciliation of movements in shareholders' funds</b>	<b>2008 £</b>	<b>2007 £</b>
Profit / (loss) for the financial year	(204,628)	(847,096)
Opening shareholders' funds	(669,956)	177,140
Closing shareholders' funds	<u>(874,584)</u> =====	<u>(669,956)</u> =====

## 12 Employment

### Number of employees

There were no employees during the year apart from the Directors, who received no emoluments. Staffing resources are provided by other Group companies.

## 13 Related party transactions

The Company provided executive management and support services to investments as follows:

<b>Name</b>	<b>Relationship</b>	<b>Description</b>	<b>Revenues for year £</b>	<b>Year end Debtor £</b>
<b>2008</b>				
NeuroTargets	Associate	Management Services	3,763	-
<b>2007</b>				
Acolyte Biomedica	Associate	Management Services	7,554	-
NeuroTargets	Associate	Management Services	4,311	-
			=====	=====

The Company has taken advantage of the exemptions provided by Financial Reporting Standard Number 8 'Related Party Disclosures' and has not disclosed transactions with fellow group undertakings where more than 90% of the voting rights are controlled within the group and consolidated financial statements in which the company is included are publicly available.

### Directors' interests

The Directors' beneficial interests in the share options of the ultimate holding company, ANGLE plc, were as stated below:

	<b>Ordinary shares of 10p each</b>	
	<b>30 April 2008</b>	<b>1 May 2007</b>
G P Evans	602,306	662,306
I F Griffiths	407,619	467,619
A D W Newland	688,675	748,675

# **PROGENY BIOVENTURES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)** ***FOR THE YEAR ENDED 30 APRIL 2008***

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### **14 Control**

The parent undertaking of the largest group for which group accounts are prepared and of which the company is a member is ANGLE Plc, the company's ultimate holding company, which is registered in England. Copies of these group accounts are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.