

Company Registration No. 4305857 (England and Wales)

INHIBOX LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007



INHIBOX LIMITED

COMPANY INFORMATION

Directors	J Westergren W Richards P Finn B Porter J Q Davies
Secretary	J Q Davies
Company number	4305857
Registered office	Pembroke House 36-37 Pembroke Street Oxford Oxfordshire OX1 1BP
Auditors	Saffery Champness Lion House Red Lion Street London WC1R 4GB
Business address	Pembroke House 36-37 Pembroke Street Oxford Oxfordshire OX1 1BP

INHIBOX LIMITED

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INHIBOX LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

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

Principal activities

The principal activity of the company during the year continued to be the use of computer modelling techniques to discover new leads for drugs

Directors

The following directors have held office since 1 January 2007

J Westergren
W Richards
P Finn
B Porter
J Q Davies

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Saffery Champness be reappointed as auditors of the company will be put to the Annual General Meeting

Directors' responsibilities

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,
- 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

INHIBOX LIMITED

DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2007

On behalf of the board

A handwritten signature in black ink, appearing to be 'J Q Davies', written over a horizontal line.

J Q Davies
Director
16 May 2008

INHIBOX LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INHIBOX LIMITED

We have audited the financial statements of Inhibox Limited on pages 5 to 12 for the year ended 31 December 2007. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007), under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 1, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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.

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. We also 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.

INHIBOX LIMITED

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF INHIBOX 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 2007 and of its loss for the year then ended, and

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


Saffery Champness

Chartered Accountants
Registered Auditors

16 May 2008

Lion House
Red Lion Street
London
WC1R 4GB

INHIBOX LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 £	2006 £
Turnover		216,208	282,785
Administrative expenses		(931,211)	(805,548)
Other operating income		181,857	250
Operating loss	2	(533,146)	(522,513)
Other interest receivable and similar income		25,144	19,382
Interest payable and similar charges		(1,459)	(80)
Loss on ordinary activities before taxation		(509,461)	(503,211)
Tax on loss on ordinary activities	3	130,791	61,105
Loss on ordinary activities after taxation	10	(378,670)	(442,106)

The notes on pages 7 to 12 form part of these financial statements

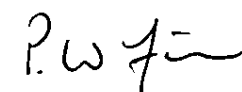
INHIBOX LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2007**

	Notes	2007 £	£	2006 £	£
Fixed assets					
Intangible assets	4		21,684		24,884
Tangible assets	5		35,012		26,249
			<u>56,696</u>		<u>51,133</u>
Current assets					
Stocks		110		-	
Debtors	6	131,251		134,982	
Cash at bank and in hand		418,014		836,601	
			<u>549,375</u>	<u>971,583</u>	
Creditors: amounts falling due within one year	7	<u>(82,304)</u>		<u>(270,254)</u>	
Net current assets			<u>467,071</u>		<u>701,329</u>
Total assets less current liabilities			<u>523,767</u>		<u>752,462</u>
Capital and reserves					
Called up share capital	9		3,256		3,205
Share premium account	10		1,830,261		1,680,337
Profit and loss account	10		<u>(1,309,750)</u>		<u>(931,080)</u>
Shareholders' funds			<u>523,767</u>		<u>752,462</u>

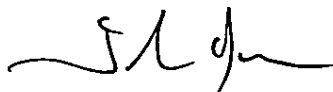
These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2007)

The notes on pages 7 to 12 form part of these financial statements

The financial statements were approved by the board on 16 May 2008



P Finn
Director



J Q Davies
Director

INHIBOX LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007)

1.2 Turnover

Turnover represents amounts invoiced to third parties, net of VAT and trade discounts

1.3 Patents

Intangible assets are recorded at cost, and amortised over their estimated useful economic life, as follows

Intellectual property licence and trademarks - 10% on cost, straight line

Patents - straight line over the life of the patent

1.4 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred
Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows.

Land and buildings leasehold - Over 2 years

Computer equipment - Over 3 years

Fixtures, fittings & equipment - Over 4 years

1.6 Foreign currency translation

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

1.7 Government grants

A grant was received during the year from the Commission of the European Communities for a project that researched the Design of zinc metalloenzyme targeted drugs using an Integrated Technology approach. The grant received was for the year ended 31 December 2007 and as such all of the grant income has been recognised in the financial statements this year

INHIBOX LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2007**

2	Operating loss	2007	2006
		£	£
	Operating loss is stated after charging:		
	Amortisation of intangible assets	3,200	3,355
	Depreciation of tangible assets	27,303	21,042
	Auditors' remuneration	6,000	5,000
	Directors' emoluments (executive directors)	90,000	166,770
	and after crediting		
	Government grants	181,707	-
		<u>181,707</u>	<u>-</u>
3	Taxation	2007	2006
		£	£
	U.K. current year taxation		
	U K corporation tax	(50,653)	-
	Prior years		
	U K corporation tax	(80,138)	(61,105)
		<u>(130,791)</u>	<u>(61,105)</u>

On the basis of these financial statements no provision has been made for corporation tax. The corporation tax repayable relates to tax credits being claimed for qualifying R&D expenditure during 2007.

The prior year adjustment relates to tax credits received in 2007 for qualifying R&D expenditure during 2005 and 2006.

INHIBOX LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2007****4 Intangible fixed assets**

	Patents and other intellectual property £
Cost	
At 1 January 2007 & at 31 December 2007	33,557
Amortisation	
At 1 January 2007	8,673
Charge for the year	3,200
At 31 December 2007	11,873
Net book value	
At 31 December 2007	21,684
At 31 December 2006	24,884

5 Tangible fixed assets

	Land and buildings £	Other tangible fixed assets £	Total £
Cost			
At 1 January 2007	11,725	46,805	58,530
Additions	-	36,066	36,066
At 31 December 2007	11,725	82,871	94,596
Depreciation			
At 1 January 2007	8,262	24,019	32,281
Charge for the year	3,463	23,840	27,303
At 31 December 2007	11,725	47,859	59,584
Net book value			
At 31 December 2007	-	35,012	35,012
At 31 December 2006	3,463	22,786	26,249

INHIBOX LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2007**

6 Debtors	2007	2006
	£	£
Trade debtors	6,044	83,942
Other debtors	125,207	51,040
	<u>131,251</u>	<u>134,982</u>

No provision has been made for the deferred tax asset arising in respect of losses carried forward. This is because there is no certainty when taxable profits will arise against which these losses can be offset.

7 Creditors: amounts falling due within one year	2007	2006
	£	£
Trade creditors	57,533	74,900
Taxation and social security	9,311	7,411
Other creditors	15,460	187,943
	<u>82,304</u>	<u>270,254</u>

8 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

Defined contribution

	2007	2006
	£	£
Contributions payable by the company for the year	<u>18,248</u>	<u>12,848</u>

INHIBOX LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2007**

9 Share capital	2007 £	2006 £
Authorised		
397,500 Ordinary shares of 1p each	3,975	3,975
2,500 Deferred shares of 1p each	25	25
	<u>4,000</u>	<u>4,000</u>
 Allotted, called up and fully paid		
323,110 Ordinary shares of 1p each	3,231	3,180
2,500 Deferred shares of 1p each	25	25
	<u>3,256</u>	<u>3,205</u>

The Deferred shares carry no voting rights, no rights to dividend and no rights to capital whether on a return of assets on liquidation or capital reduction or otherwise

On 11 January 2007 the company allotted 5,077 Ordinary shares of £0.01 for cash consideration of £29.54 each.

10 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 January 2007	1,680,337	(931,080)
Retained loss for the year	-	(378,670)
Premium on shares issued during the year	149,924	-
Balance at 31 December 2007	<u>1,830,261</u>	<u>(1,309,750)</u>

The movement on the share premium account during the year relates to new issues of shares which took place in January 2007

INHIBOX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2007

11 Financial commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as follows

	2007 £	2006 £
Expiry date		
Between two and five years	228	456

12 Share based payments

During the year ended 31 December 2006, the Company operated a share option plan, under which 4,120 options have been granted to 1 employee at an exercise price of 1p. The options can be exercised at any time between 1 February 2006 and 31 March 2016.

During the year ended 31 December 2006, the Company operated an EMI share option plan, under which 5,000 options have been granted to 1 employee at an exercise price of 1p. The options can be exercised at any time between 1 February 2006 and 31 March 2016.

13 Control

The company has no controlling party.

14 Related party transactions

During the year the company was charged £220,873 (2006 £115,004) in fees by SRC Oxford Limited, a company of which both Mr J Westergren and Mr J Q Davies are Directors. SRC Oxford Limited is a 100% owned subsidiary of SRC Holdings (BVI) Limited, of which Mr J Westergren has a beneficial interest in the share capital and Mr J Q Davies is a Director. This was split as £157,083 for management fees, £50,000 for rent and £13,790 as consultancy fees. At the balance sheet date the amount of £25,458 (2006 £255) was owed to SRC Oxford Limited and is included in trade creditors. These transactions were carried out on normal commercial terms.

Included within directors' fees are the following amounts paid to non-executive directors for the year: W Richards £5,000 (2006 £12,490) and B Porter £5,000 (2006 £7,200). At the year end the following amounts were outstanding and included within other creditors: W Richards £5,000 (2006 £15,000) and B Porter £5,000 (2006 £7,800).