

CMP THERAPEUTICS LIMITED
FINANCIAL STATEMENTS
31 MARCH 2006



K J STIRRAT & CO LIMITED
Chartered Certified Accountants & Registered Auditors
Trading as Lloyd Wynne
18 West Bar
Banbury
Oxon
OX16 9RR

CMP THERAPEUTICS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

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CMP THERAPEUTICS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr B Savage
Mr P Strong
Ms O Kukhaneva

Company secretary

Aldwych Secretaries Limited

Registered office

9400 Garsington Road
Oxford Business Park
Oxford
OX4 2HN

Auditor

K J Stirrat & Co Limited
Chartered Certified Accountants
& Registered Auditors
Trading as Lloyd Wynne
18 West Bar
Banbury
Oxon
OX16 9RR

CMP THERAPEUTICS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2006

The directors present their report and the financial statements of the company for the Year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of development of natural based pharmaceuticals.

THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the company during the Year together with their beneficial interests in the shares of the company were as follows:

| | Ordinary Shares of £0.01 each | |
|--------------|--------------------------------------|--|
| | At | At |
| | 31 March 2006 | 1 April 2005 or later date of appointment |
| Mr B Savage | 316,508 | 300,000 |
| Mr P Strong | 700,000 | 700,000 |
| Ms Kukhaneva | - | - |

Ms Kukhaneva was appointed as a director on 1 December 2005.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 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 Year.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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.

In so far as the directors are aware:

there is no relevant audit information of which the company's auditors are unaware; and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITOR

A resolution to re-appoint K J Stirrat & Co Limited as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

CMP THERAPEUTICS LIMITED

THE DIRECTORS' REPORT *(continued)*

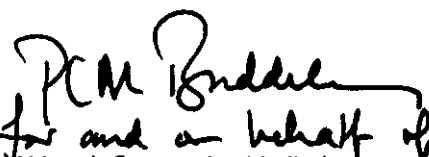
YEAR ENDED 31 MARCH 2006

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office:
9400 Garsington Road
Oxford Business Park
Oxford
OX4 2HN

Signed by order of the directors


for and on behalf of
Aldwych Secretaries Limited
Company Secretary

Approved by the directors on 3-10-2006

CMP THERAPEUTICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CMP THERAPEUTICS LIMITED (continued)

YEAR ENDED 31 MARCH 2006

We have audited the financial statements of CMP THERAPEUTICS LIMITED for the Year ended 31 March 2006 on pages 6 to 11 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005) and on the basis of the accounting policies set out on page 8.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As described in the Statement of Directors' Responsibilities 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).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 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.

CMP THERAPEUTICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CMP THERAPEUTICS LIMITED *(continued)*

YEAR ENDED 31 MARCH 2006

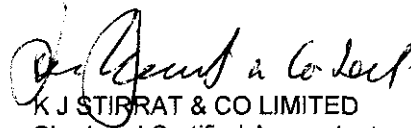
OPINION

In our opinion:

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2006 and of its loss 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 for the Year ended 31 March 2006.


K J STIRRAT & CO LIMITED
Chartered Certified Accountants
& Registered Auditors

Trading as Lloyd Wynne
18 West Bar
Banbury
Oxon
OX16 9RR

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CMP THERAPEUTICS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2006

| | Note | 2006 £ | 2005 £ |
|--|------|-------------------|-----------------|
| TURNOVER | | — | — |
| Cost of sales | | (168,514) | — |
| GROSS LOSS | | (168,514) | — |
| Administrative expenses | | (200,059) | (5,877) |
| OPERATING LOSS | 2 | (368,573) | (5,877) |
| Interest receivable | | 3,135 | — |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (365,438) | (5,877) |
| Tax on loss on ordinary activities | 3 | 12,847 | — |
| LOSS FOR THE FINANCIAL YEAR | | £(352,591) | £(5,877) |
| Balance brought forward | | (5,877) | — |
| BALANCE CARRIED FORWARD | | <u>£(358,468)</u> | <u>£(5,877)</u> |

CMP THERAPEUTICS LIMITED

BALANCE SHEET

31 MARCH 2006

| | Note | 2006 £ | £ | 2005 £ | £ |
|--|------|----------------|-------------------|--------------|----------------|
| FIXED ASSETS | | | | | |
| Intangible assets | 4 | | 32,359 | | — |
| CURRENT ASSETS | | | | | |
| Debtors | 5 | 55,378 | | — | |
| Cash at bank and in hand | | 368,169 | | 5,887 | |
| | | <u>423,547</u> | | <u>5,887</u> | |
| CREDITORS: Amounts falling due within one year | 6 | <u>118,711</u> | | <u>1,764</u> | |
| NET CURRENT ASSETS | | | <u>304,836</u> | | <u>4,123</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>337,195</u> | | <u>4,123</u> |
| CREDITORS: Amounts falling due after more than one year | 7 | | <u>671,727</u> | | <u>—</u> |
| | | | <u>£(334,532)</u> | | <u>£4,123</u> |
| CAPITAL AND RESERVES | | | | | |
| Called-up equity share capital | 11 | | 11,101 | | 10,000 |
| Share premium account | 12 | | 12,835 | | — |
| Profit and loss account | 12 | | <u>(358,468)</u> | | <u>(5,877)</u> |
| (DEFICIT)/SHAREHOLDERS' FUNDS | | | <u>£(334,532)</u> | | <u>£4,123</u> |

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

These financial statements were approved by the directors on the 30th Mar '06 and are signed on their behalf by:

Mr B Savage

Ms Kukhanova

Mr P Strong

CMP THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Patents - 20% straight line

Fixed assets

All fixed assets are initially recorded at cost.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Provisions for liabilities and charges

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

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:

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 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.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

CMP THERAPEUTICS LIMITED

MANAGEMENT INFORMATION

YEAR ENDED 31 MARCH 2006

2. OPERATING LOSS

Operating loss is stated after charging:

| | 2006 £ | 2005 £ |
|----------------------------------|--------------|------------|
| Directors' emoluments | 35,000 | - |
| Directors' pension contributions | 1,646 | - |
| Amortisation | 2,311 | - |
| Auditor's fees | <u>3,000</u> | <u>764</u> |

3. TAXATION ON ORDINARY ACTIVITIES

| | 2006 £ | 2005 £ |
|-----------------------------------|------------------|-----------|
| Current tax: | | |
| Research & Development tax credit | (12,847) | - |
| Total current tax | <u>£(12,847)</u> | <u>-</u> |

4. INTANGIBLE FIXED ASSETS

| | Patents £ |
|-------------------------|---------------|
| COST | |
| Additions | 34,670 |
| At 31 March 2006 | <u>34,670</u> |
| AMORTISATION | |
| Charge for the Year | 2,311 |
| At 31 March 2006 | <u>2,311</u> |
| NET BOOK VALUE | |
| At 31 March 2006 | <u>32,359</u> |
| At 31 March 2005 | <u>-</u> |

5. DEBTORS

| | 2006 £ | 2005 £ |
|-----------------|----------------|-----------|
| VAT recoverable | 42,236 | - |
| Other debtors | 13,142 | - |
| | <u>£55,378</u> | <u>-</u> |

CMP THERAPEUTICS LIMITED

MANAGEMENT INFORMATION

YEAR ENDED 31 MARCH 2006

6. CREDITORS: Amounts falling due within one year

| | 2006 | 2005 |
|---------------------------|-----------------|---------------|
| | £ | £ |
| Bank loans and overdrafts | 52,621 | — |
| Trade creditors | 58,264 | — |
| Other creditors | 7,826 | 1,764 |
| | <u>£118,711</u> | <u>£1,764</u> |

7. CREDITORS: Amounts falling due after more than one year

| | 2006 | 2005 |
|---|-----------------|----------|
| | £ | £ |
| Shares classed as financial liabilities | <u>£671,727</u> | <u>—</u> |

During the year the Company issued 869,565 Convertible Redeemable Preference £0.01 Shares for Eur 1.15 per share. The total amount paid for the shares includes a premium of £663,031.

Full details of the shares are recorded in the Memorandum and Articles of Association available from the Registrar of Companies

8. CONTINGENCIES

The Company has entered into an agreement in respect of Patent Applications which in the event of the product launch will result in a payment of £300,000 becoming due.

9. DEFERRED TAXATION

No provision has been made in the financial statements and the amounts not provided at the end of the year was as follows:

| | |
|-----------------------------|---------|
| Tax losses available at 19% | £70,091 |
|-----------------------------|---------|

10. RELATED PARTY TRANSACTIONS

The Company issued 93,600 Ordinary Shares of £0.01 to the Medical Research Council as part of the consideration for assigning the Patent Applications. The shares were issued at the nominal value and no premium has been paid on the shares. The following transactions took place with the Medical Research Council through out the year:

| | |
|------------------------------------|---------|
| Patent costs | £33,734 |
| Amount included in Trade Creditors | £33,734 |

No further transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard for Smaller Entities.

CMP THERAPEUTICS LIMITED

MANAGEMENT INFORMATION

YEAR ENDED 31 MARCH 2006

11. SHARE CAPITAL

Authorised share capital:

| | 2006 £ | 2005 £ |
|---|----------------|----------------|
| 1,270,108 Ordinary shares of £0.01 each | 12,701 | 10,000 |
| 5,300,000 Preference shares of £0.01 each | 53,000 | - |
| | <u>£65,701</u> | <u>£10,000</u> |

Allotted and called up:

| | 2006 | | 2005 | |
|---------------------------------|------------------|----------------|------------------|----------------|
| | No | £ | No | £ |
| Ordinary shares of £0.01 each | 1,110,108 | 11,101 | 1,000,000 | 10,000 |
| Preference shares of £0.01 each | 869,565 | 8,696 | - | - |
| | <u>1,979,673</u> | <u>£19,797</u> | <u>1,000,000</u> | <u>£10,000</u> |

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

| | Share capital | Share premium account | Profit and loss account | Total share-holders' funds |
|-------------------------------------|----------------|-----------------------|-------------------------|----------------------------|
| | £ | £ | £ | £ |
| Balance brought forward | 10,000 | - | (5,877) | 4,123 |
| Loss for the Year | - | - | (352,591) | (352,591) |
| Other movements | | | | |
| New equity share capital subscribed | 1,101 | 12,835 | - | 13,936 |
| Balance carried forward | <u>£11,101</u> | <u>£12,835</u> | <u>£(358,468)</u> | <u>£(334,532)</u> |

CMP THERAPEUTICS LIMITED

MANAGEMENT INFORMATION

YEAR ENDED 31 MARCH 2006

The following pages do not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 4 to 5.

CMP THERAPEUTICS LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2006

| | 2006 | | 2005 | |
|------------------------------------|-------------------|---|-----------------|---|
| | £ | £ | £ | £ |
| COST OF SALES | | | | |
| Manufacture | 88,880 | | — | |
| Toxicology | 27,000 | | — | |
| Regulatory fees | 13,921 | | — | |
| Patents | 10,063 | | — | |
| Project management | 8,650 | | — | |
| Introduction fees-ONION | 20,000 | | — | |
| | <u>168,514</u> | | | — |
| GROSS LOSS | (168,514) | | | — |
| OVERHEADS | | | | |
| Administrative expenses | 200,059 | | 5,877 | |
| OPERATING LOSS | (368,573) | | (5,877) | |
| Bank interest receivable | 3,135 | | — | |
| LOSS ON ORDINARY ACTIVITIES | <u>£(365,438)</u> | | <u>£(5,877)</u> | |

CMP THERAPEUTICS LIMITED

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2006

| | 2006 | | 2005 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | £ | £ | £ | £ |
| ADMINISTRATIVE EXPENSES | | | | |
| Personnel costs | | | | |
| Directors salaries | 35,000 | | — | |
| Directors national insurance contributions | 4,114 | | — | |
| Directors pension contributions | 1,646 | | — | |
| | <u> </u> | 40,760 | <u> </u> | — |
| Establishment expenses | | | | |
| Insurance | | 5,504 | | — |
| General expenses | | | | |
| Travel and subsistence | 20,706 | | 1,904 | |
| Telephone | 21 | | 140 | |
| Office expenses | 3,896 | | — | |
| I T expenses | — | | 153 | |
| Hire of equipment | — | | 21 | |
| Printing, stationery and postage | 681 | | 24 | |
| Sundry expenses | 218 | | 235 | |
| Subscriptions | — | | 99 | |
| Entertaining | 103 | | — | |
| Legal and professional fees | 16,985 | | 944 | |
| Presentation fees | — | | 1,586 | |
| Consultancy fees | 26,801 | | — | |
| Legal fees-Osbourne Clarke | 40,055 | | — | |
| Legal fees- Manches | 33,939 | | — | |
| Bookkeeping | 2,640 | | — | |
| Accountancy fees | 2,419 | | — | |
| Auditors remuneration | 3,000 | | 764 | |
| Amortisation - Patents | 2,311 | | — | |
| | <u> </u> | 153,775 | <u> </u> | 5,870 |
| Financial costs | | | | |
| Bank charges | | 20 | | 7 |
| | | <u> </u> | | <u> </u> |
| | | 200,059 | | 5,877 |
| INTEREST RECEIVABLE | | | | |
| Bank interest receivable | | 3,135 | | — |
| | | <u> </u> | | <u> </u> |