



# **Fulcrum Pharma plc**

ANNUAL REPORT & ACCOUNTS

**2008**



**fulcrumpharma**  
Providing Expert Solutions



## WHAT WE DO

Fulcrum Pharma is a professional service company providing clients with expert solutions for development of therapeutic products.

### Contents

- 1 Highlights
- 2 Our global reach and services
- 3 Our global client base
- 4 Chairman's statement
- 6 Chief Executive's review
- 8 Board of directors
- 9 Directors' report
- 12 Corporate governance statement
- 13 Independent auditors' report
- 14 Consolidated income statement
- 14 Consolidated statement of recognised gains and losses
- 15 Consolidated balance sheet
- 16 Company balance sheet
- 16 Company statement of changes in equity
- 17 Consolidated cash flow statement
- 18 Company cash flow statement
- 19 Notes to the financial statements
- 53 Notice of annual general meeting
- 55 Form of proxy

## HIGHLIGHTS

Revenue growth of 29% to £14.8m (2007: £11.5m)

Operating profit increased 258% to £666,000 (2007: £186,000)

Cash position strong at £2,903,000 (2007: £2,217,000)

EBITDA\* doubled to £1,139,000 (2007: £573,000)

New Chief Executive, Chairman designate and non-executive Directors appointed

\* EBITDA is defined as earnings before interest, taxation, depreciation and amortisation

## Our Vision

Fulcrum Pharma will be the most admired, pioneering and leading professional service company in our selected fields.



## OUR GLOBAL REACH AND SERVICES

*Providing pharmaceutical and biotechnology companies with immediate access to a global, experienced and highly credible integrated drug development and regulatory services team. Fulcrum Pharma provides the strategic and operational expertise required to ensure that new drugs move smoothly from discovery to product approval.*



### Our Offices

Currently operating eight offices across the US, Europe and from Japan, Fulcrum Pharma is in a unique position to offer drug development and regulatory services with an international reach, supported by infrastructure and expertise on the ground in many major regions for pharmaceutical commercialisation.

## Company Overview

In a global market where regulations are changing rapidly it is essential to obtain advice that is practical, current and independent. Fulcrum offers easy access to pragmatic advice, based on solid experience and an in-depth knowledge of the regulatory landscape.

Fulcrum Pharma provides the full range of drug development and regulatory expertise essential to progress a development programme from research to product approval. We work with

many clients from lead candidate selection through to non-clinical and pharmaceutical development and all phases of clinical development. We provide support for product registration, launch and in-market maintenance. Our drug development experts provide technical input to the design and implementation of client development programmes. Our regulatory and safety experts provide the strategic and operational support to ensure successful approval at every stage of the development and post-marketing process.

## OUR GLOBAL CLIENT BASE

*Fulcrum Pharma has diversified the client base to four key groups: Pharmaceutical Companies, Biotechnology Companies, the Neglected Diseases/Non-Governmental sector and the Investment Community.*



### Our Clients

Fulcrum Pharma provides a full range of service offerings to its global client base across all their international locations.

### Neglected Diseases

Fulcrum Pharma continues its commitment to supporting drug development of new products in the area of Neglected Diseases. In particular Fulcrum Pharma's ongoing activities support development in falciparum and vivax malaria, human African trypanomiasis and leishmania, as well as for rare indications in populations with unmet medical need.

A specific focus of the Product Development Consultancy is in Neglected Disease. Fulcrum Pharma has recently completed a phase III programme of over 2,500 malaria patients and will be supporting the global submissions to the Regulatory Authorities, EMEA and FDA.

## CHAIRMAN'S STATEMENT



### BUSINESS REVIEW

I am pleased to report continued growth in sales, operating profit and cash generation during the year.

Our strategy to increase the scale of the Group both organically and by acquisition has resulted in significant sales growth, cash generation and improved profits.

### FINANCIAL REVIEW

The Group has adopted International Financial Reporting Standards as adopted by the EU ("IFRS") in these results for the first time and the comparative figures have been restated accordingly. The impact of adoption of IFRS on the Group's income statement for the period ended 31 August 2008 has been to increase the retained profit, as compared to UK GAAP, by £259,000 (2007: £109,000) as a result of

the changes in accounting for employee benefits, business combinations and lease inducements.

Sales have risen by 29% to £14.8m compared with last year. Operating profit has increased 258% to £666,000 (2007: £186,000). The profit before tax has increased by 201% to £454,000 (2007: £151,000). Earnings before interest, tax, depreciation and amortisation ("EBITDA") were £1,139,000 (2007: £573,000). The retained profit for the year was £324,000 (2007: £141,000) and the basic earnings per share was 0.19p (2007: 0.10p).

The balance sheet remains strong with an increase in cash during the year of £686,000 to £2,903,000 (2007: £2,217,000) after repayment of bank loans and loan notes of £732,000.

The directors do not propose a dividend. (2007: £ nil).

Average headcount for the year has increased from 105 to 137, with 140 at the year end.

### Consulting



Global insight and advice on product development and registration strategies from discovery to post-approval

### Development



Integrated development expertise to accelerate product development, assure quality, and maximise return on investment

## UNICUS

The earn-out period relating to the acquisition of Unicus Regulatory Services Limited ended on 31 July 2008. The liability for deferred consideration has been increased from £250,000 to £815,000, reflecting the strong post-acquisition performance of the business.

## BOARD CHANGES

I informed the Board of my intention to stand down as Chairman at the forthcoming Annual General Meeting to be held on 22nd December 2008. Mr Grahame Cook joined the Board on 28 August 2008 as a non-executive Director and Chairman designate. In addition, Mr Frank Condella and Mr Ken Lacey joined the Board as non-executive Directors on 25 September 2008. With these additions, I am convinced Fulcrum Pharma has a strong Board, capable of delivering the Company's strategy.

I would also like to thank Dr Jon Court, who stepped down from the Board on 31 March 2008, for his years of leadership of the Fulcrum Pharma business.

## CONCLUSION

I am encouraged by the improved performance of the Group in terms of operating profit and cash generation. The Board remain committed to growing Fulcrum Pharma's professional services business both organically and by acquisition.



SIR CHARLES GEORGE  
Chairman  
26 November 2008

## Regulatory



Global regulatory affairs expertise to streamline submission management and achieve fast product approval

## Safety



Global pharmacovigilance and risk management expertise to ensure products comply with ever-increasing safety requirements

## CHIEF EXECUTIVE'S REVIEW



### STRATEGIC REVIEW

Following my appointment as Chief Executive on 1 April 2008, I have conducted a strategic review of the business with the Management Team and Board. The review has refined the Group's Mission, service offerings and branding and confirmed that the Group is committed to increasing scale through both organic growth and selective acquisitions.

### KEY PERFORMANCE INDICATORS

	2008	2007	Increase
Sales (£'000)	14,826	11,503	29%
Cash generated by Operations (£'000)	1,493	874	71%

### COMMERCIAL, SALES AND BUSINESS DEVELOPMENT

The refined Mission is that "Fulcrum Pharma is a professional service company providing clients with expert solutions for the development of therapeutic products".

The Group has undertaken a rebranding exercise based on a new Vision, Mission and Values.

Following on from the Strategic Review, the main elements of the business strategy are

- to build a substantial Regulatory business
- to deliver bigger projects from diversified clients from the Product Development Consultancy business, and
- to opportunistically pursue chances to add complementary skills to Fulcrum Pharma's offerings and alliances with other service providers.

The corporate website has been redesigned and there has been wide participation at major scientific, biotechnology and partnering conferences in the US, Europe and Japan. The Group has continued to look for opportunities to sell services across its geographical regions

and provide complete and expert solutions to clients. In particular, the business development efforts of the Japanese subsidiary have generated significant fee sales from Japanese clients for the Europe and US businesses.

The organisation has been strengthened with the creation of a focussed Commercial Operations group to lead sales and business development and a Professional Development group to support staff development and training.

As part of the strategy to expand Pharmacovigilance services, Fulcrum Pharma has formed a strategic collaboration with Quantum Solutions, India. This collaboration enables Fulcrum Pharma to deliver high capacity processing and reporting of safety information whilst maintaining necessary quality standards.

### PRODUCT DEVELOPMENT CONSULTANCY

Dr Sarah Arbe-Barnes has been appointed as General Manager for Product Development Consultancy (PDC). This specialist group has been established to provide global, strategic consultancy to the pharma and biotech industries, the investment community and the neglected diseases sector and to lead Fulcrum Pharma's development programmes. PDC has the target of winning larger drug development projects from a more diverse client base, and to pursue opportunities to retain a greater amount of the project work within the Fulcrum Pharma organisation. PDC operates on a global basis with staff based in Europe and the US.

### EUROPE

On 1 April 2008, Fulcrum Pharma Developments Limited was renamed Fulcrum Pharma (Europe) Limited and became the single trading entity in Europe, with Dr Phil Birch appointed as General Manager. Fulcrum Pharma (Europe) integrated the businesses of the acquired subsidiary companies, Quadramed Limited and Unicus Regulatory Services Limited ("Unicus") with Fulcrum Pharma Developments Limited. This change of structure has enabled the integration of processes across Europe and has simplified the organisational structure.

## Rebranding



In 2008, additional market leading services were added to the Fulcrum Pharma portfolio. These additions triggered a corporate rebranding exercise that repositions Fulcrum Pharma as the leading professional service company in our selected field.



A new brand logo and corporate image defined the new corporate identity, and a clear marketing strategy to develop industry awareness was set in place to ensure the name Fulcrum Pharma represented a professional image in the market place.

Sales in Europe have grown by 20% to £9.8 million (2007: £8.2 million) reflecting the full year contribution of Unicus, which was acquired in March 2007. The initial issues experienced with Unicus have been resolved and the strong sales performance has demonstrated the value created by the acquisition of Unicus by the Group.

## US

The US business recorded a strong performance. Sales grew by 72% to £2.4 million (2007: £1.4 million) reflecting the recovery of the business.

Mr John Larus joined the Company as General Manager for the US and has restructured the US organisation in preparation for future growth. Staff numbers have increased from 16 to 22 with expanded operational and business development resource including extending the Group's US presence with the opening of an office in Ann Arbor, Michigan in November 2007. Additionally, in order to better service the needs of the clients, a dedicated regulatory affairs group, with electronic submission capabilities, has been established in the US.

## JAPAN

The Japanese organisation has continued to consolidate its position as a leading specialist CRO in the oncology field. Organic growth over the last year has seen sales increase by 35% to £2.6 million (2007: £1.9 million) and headcount increase by 20%. The domestic client base is predominately first tier Pharma companies and government funded organisations. Long-term, stable contracts with these clients allow the Japanese business to maintain an order book showing a good level of predictability in a two year horizon.

## FUTURE STRATEGY AND OUTLOOK

The Group continues to see a trend for increased demand for outsourcing as clients target more productive research and development outputs. The turbulent market conditions have increased the focus of all clients on selective and efficient use of capital in progressing drug development projects. While the Group has

experienced a slowing in commitments from clients to progress such projects, the diversification of the client base, to include the focus on neglected diseases and novel models of drug development, coupled with distinctive offerings from Fulcrum Pharma, convince the Group of the continuing business opportunity, despite the more difficult market conditions.

The Group has a clear strategy to deliver a growing, sustainable and profitable business. The steps that management has taken provide a strong platform to grow the Fulcrum Pharma business by building a substantial Regulatory business and delivering bigger projects from diversified clients.

## CONCLUSION

The operating profit of £666,000 is in line with market expectations. Current trading is satisfactory and the Board is further encouraged by the strengthened order book since the year end.

Sir Charles George has chaired the Board of Fulcrum Pharma since the Company's listing in March 2000 and provided dedicated leadership and service to the Company. The management and Board would like to thank him for his endeavours over the years and wish him well with his future opportunities. We welcome Mr Grahame Cook as Chairman designate and Mr Ken Lacey and Mr Frank Condella to the Board.

Finally, I would like to thank the management and staff for their contributions to the business in 2008 and I look forward to their continuing commitment to Fulcrum Pharma in 2009.



DR FRANK ARMSTRONG  
Chief Executive Officer  
26 November 2008

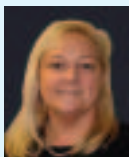
## Senior Management



### Phil Birch

Dr Birch manages the Group's European activities covering

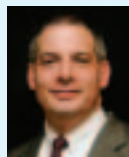
development and regulatory services. He has over 23 years experience in the biotech, pharma and consulting industry and brings R&D, commercial and corporate development experience to the Group. He joined Fulcrum in 2005 to grow the European regulatory business through acquisition. Before joining Fulcrum he held senior positions in R&D, strategic marketing and business development in Akos Consulting, Ionix Pharmaceuticals, Amersham, Astra and Glaxo. He is a first class honours graduate from Oxford University and obtained his D. Phil. in 1985.



### Sarah Arbe-Barnes

Dr Sarah Arbe-Barnes heads the newly

formed Product Development Consultancy, a global group within Fulcrum Pharma which runs high value consultancy and major drug development programmes. Dr Arbe-Barnes joined Fulcrum in 2000 and previously ran the European Developments group. Dr Arbe-Barnes is two times recipient of Project of the Year from Medicines for Malaria Venture. Prior to joining Fulcrum she held management positions in Covance, Servier, Grunenthal and Aventis Pasteur. Dr Arbe-Barnes holds a PhD in Biochemistry from University of Bath.



### John Larus

Mr Larus manages the Group's US activities, which

include business development and operations. He has spent 20 years in the clinical trials services industry, and co-founded PharmaLinkFHL, where he was responsible for the company's clinical operations and technology implementation. He is a former President and COO of Maaguzi, an Electronic Patient Reported Outcomes Company. Before joining Fulcrum Pharma, Mr Larus served as the VP for North American Clinical Operations with AAI Pharma, a global CRO. He has an MA in Quantitative Psychology from the University of North Carolina at Chapel Hill.



### Teruyoshi Okuda

Mr Okuda is the President of Fulcrum Pharma KK, the specialist

consulting and project management arm of Fulcrum in Japan. He has represented Fulcrum in Japan since the initiation of the company's activities there in 2000. Before joining Fulcrum, Mr Okuda held various management positions in Nippon Roche and Rhone-Poulenc Rorer Japan, playing a leading role in the development of docetaxel, capecitabine and herceptin in Japan. Mr Okuda holds Bachelor and Master degrees in Pharmaceutical Technochemistry and Pharmaceutical Sciences from the Science University of Tokyo.



### Kiyoshi Fujimaru

Mr Fujimaru is the President of Niphix KK, Fulcrum's

clinical research organization in Japan. He joined Fulcrum in 2003 to set up direct clinical monitoring and data management service for the company's Japanese clients. Prior to joining Fulcrum Mr Fujimaru was a senior manager and Board Director of EPS; a leading Japanese CRO. Before that he held managerial positions in Grelan Pharmaceuticals, Nihon Servier and Nippon Roche. Mr Fujimaru has a Bachelor degree in mathematics from the Science University of Tokyo and carried our post-graduate research in biostatistics for seven years in the Faculty of Medicine of Tokyo University.

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS



**Dr Frank Armstrong** (52)  
CHIEF EXECUTIVE OFFICER

Dr Armstrong joined Fulcrum Pharma as CEO in April 2008, bringing more than 20 years of experience of Drug Development and

International Management at major Pharmaceutical and Biotechnology companies. Most recently Dr Armstrong was CEO of CuraGen Corp (a NASDAQ listed US Biotechnology company) and prior to that gained experience as a Non Executive and Executive Director of a range of Biotechnology companies. From 1998 to 2001 Dr Armstrong was Executive Vice President of Product Development for Bayer AG and before that served in various roles for ICI and Zeneca Pharmaceuticals. Dr Armstrong is a Fellow of the Royal College of Physicians in Edinburgh and a Fellow of the Faculty of Pharmaceutical Medicine.



**Mr Geoffrey Smith** (54)  
FINANCE DIRECTOR

Mr Smith is responsible for the financial matters associated both with running the Company and specific projects.

Mr Smith qualified as a Chartered Accountant with KPMG Peat Marwick in Leeds in 1979 and then specialised in corporate tax with Robson Rhodes. He was Finance Director of Spong Holdings plc before establishing his own specialist tax consultancy in 1987. Mr Smith has since that date also been Finance Director of a number of AIM listed companies.



**Dr Alastair Devlin** (52)  
JAPAN OPERATIONS DIRECTOR

Since September 2002, Dr Devlin has been responsible for managing the expansion of Fulcrum's activities in Japan. Before taking this

role, Dr Devlin held the positions of Chief Operating Officer and Technical Director for Fulcrum Pharma Developments Limited. Prior to his directorship with Fulcrum, Dr Devlin was a founder member of Protodigm Limited, where he was Director of Technical Development. In 13 years in the healthcare industry prior to joining Protodigm, Dr Devlin held positions in quality assurance and process development at director and vice president level in the UK, Switzerland, Italy and the US. Dr Devlin has a BSc (Hons) and PhD degrees from the University of Glasgow.

### NON-EXECUTIVE DIRECTORS



**Sir Charles George** (67)  
NON-EXECUTIVE DIRECTOR

Professor Sir Charles George is a former President of the British Medical Association and currently chairs its Board of Science. Until the end of 2004 he was Medical Director of the British Heart Foundation. He is the former Chairman of the Joint Formulary Committee, responsible for overseeing the production of the British National Formulary. He is Emeritus Professor of Clinical Pharmacology at the University of Southampton, where he served as Dean from 1993 to 1998. He has also been a Director of Southampton Innovations Limited, the company responsible for capitalising on the intellectual property rights of innovations arising from within Southampton University.



**Mr Grahame Cook** (50)  
NON-EXECUTIVE DIRECTOR

Mr Cook, a chartered accountant, has held a number of senior executive positions including, most recently his role as Chief Executive at WestLB Panmure, until 2003, where he was responsible for all global functions and the expansion and development of WestLB Panmure's business. Prior to this he spent three years at UBS as a managing director where he was on the Global Investment Banking Management Committee. He was also a director of Barclays de Zoete Wedd. He was a founding member of the London Stock Exchange techMARK Advisory Council and currently holds various other non-executive positions including Antisoma PLC, Sinclair Pharma Plc and Minoan Group plc.



**Dr Angus Bell** (59)  
NON-EXECUTIVE DIRECTOR

Dr Bell has more than 30 years of experience in the Pharmaceutical Industry. Dr Bell was Chief Operating Officer for Preclinical Services and General Manager of Early Development and Laboratory Services for Quintiles in Edinburgh. Previously he worked for Glaxo where he made significant contributions to the Development of several marketed medicines including Zantac, Imigran and Serevent. Dr Bell has extensive experience of Strategic and Operation management roles and the re-design of key business processes in R&D. Dr Bell is a Non Executive Director of Pharmaceutical Profiles Ltd and Maccine Pte, Ltd.



**Dr Michael Carter** (70)  
NON-EXECUTIVE DIRECTOR

Dr Carter is a Venture Partner at SV Life Sciences Limited and a member of Paul Capital Royalty Advisory Board. He also holds additional non-executive directorships at Micromet GmbH, Santarus Inc., and GTX Inc. Dr Carter's previous roles include Medicines Commission Member, Pharmaceutical Board Member at Zeneca, and roles in marketing and clinical development, both at Zeneca and Roche Products Limited. Dr Carter holds an MB, ChB from Sheffield University Medical School and is a Fellow of Royal College of Physicians of Edinburgh.



**Mr Frank Condella** (54)  
NON-EXECUTIVE DIRECTOR

Mr Condella was the Chief Executive Officer and is now a Non-executive Director of SkyePharma PLC. He has a distinguished career as a Pharmaceutical Executive in senior roles at Ivax Corporation, F H Faulding and Co and Roche in the UK and the US. Mr Condella holds an MBA from the Graduate School of Business, Northeastern University in Boston and a BS in Pharmacy from the College of Pharmacy and Allied Health, Northeastern University, Boston.



**Mr Ken Lacey** (55)  
NON-EXECUTIVE DIRECTOR

Mr Lacey was Global Managing Director for Accenture's Health & Life Sciences (H&LS) Practice, working with a broad range of clients in Government, the Pharma Industry and the broader Health and Life Science Industry. Mr Lacey worked for Accenture and its predecessor companies for 28 years. Mr Lacey holds a BA degree from Rice University and an MBA from the University of Texas.

## > DIRECTORS' REPORT

For the year ended 31 August 2008

The Directors present their report and the audited financial statements for the year ended 31 August 2008. The Group financial statements consolidate the results of Fulcrum Pharma plc (the "Company") and its subsidiaries, together the "Group", drawn up to 31 August 2008.

### Business Review

The Group's principal activity is that of a professional service company providing clients with expert solutions for the development of therapeutic products. A review of the business during the year ended 31 August 2008 and future developments are set out in the Chairman's statement and the Chief Executives review on pages 4 to 7.

The Directors believe that, given the Group's current stage of development, the Key Performance Indicators ("KPIs") are fee sales and net cash generation. A review of the KPIs is contained in the Chairman's Statement on page 4.

The key risks to the business are deterioration of the funding climate for biotech and smaller pharmaceutical companies and changes in health authority regulations which may create additional uncertainty and cost for drug development programmes.

### Results and dividends

The retained profit for the year after taxation was £324,000 (2007: £141,000). No interim dividend (2007: £Nil) was paid and the Directors do not propose a final dividend.

### Directors, officers and Directors' interests

The Directors who served during the year are as set out below:

Professor Sir Charles F George  
 Dr F M Armstrong (appointed 1 April 2008)  
 Dr J P Court (resigned 1 April 2008)  
 Mr C G G Smith  
 Dr J A Devlin  
 Mr G D Cook (appointed 28 August 2008)  
 Dr M G Carter  
 Dr J A Bell

On 25 September 2008, Mr K L Lacey and Mr F C Condella were appointed as Directors.

Biographies of the Directors are set out on page 8.

The position of Company Secretary is held by Mrs L Wotherspoon.

None of the Directors had an interest in any contract of significance to which the Group was party during the year ended 31 August 2008.

### Political and charitable contributions

The Group made charitable contributions of £500 during the year (2007: £870). £350 was donated to Marie Curie Cancer Care and the remainder to a number of different charities. The Group made no political contributions during the year.

### Employees

The Group involves all its employees in its corporate objectives, plans and performance and on other relevant matters of interest to employees through various communication methods and regular Company meetings. The Group is an equal opportunity employer and does not discriminate in the recruitment and promotion of staff. All employees are included in the Group's bonus incentive plan and also, if qualified, are entitled to receive share options within the Group's share option schemes.

The Group is aware of its obligations to disabled persons and makes every effort to ensure that they receive equal opportunities and are not discriminated against on the grounds of any disability. The Group will make every effort to assist any individual who becomes disabled during the course of his or her employment.

### Creditor payment policy

The Group's policy is to pay suppliers within the terms of the invoice. This policy and any specific terms agreed with suppliers are made known to the appropriate staff and to suppliers on request. The Group's average creditor payment period at 31 August 2008 was 46 days (2007: 47 days) and for the Company was 11 days (2007: 19 days).

## > DIRECTORS' REPORT (continued)

For the year ended 31 August 2008

### Substantial shareholdings

The Company had the following shareholdings amounting to 3% or more of the ordinary share capital of the Company.

	As at 20 November 2008		As at 31 August 2008	
	Number of shares held	%	Number of shares held	%
Bluehone Investors LLP	25,117,986	14.1%	25,117,986	14.1%
Pershing Nominees Limited	9,558,940	5.4%	9,619,616	5.4%
HSBC Global Custody Nominee Limited	9,233,065	5.2%	9,358,065	5.3%
Dr J P Court	7,461,622	4.2%	7,461,622	4.2%
Pinnacle Trustees	7,215,686	4.1%	4,897,014	2.8%
Dr J A Devlin	7,093,975	4.0%	7,093,975	4.0%
Mr N G Oughton	6,976,328	3.9%	6,976,328	3.9%
Dr G E Walters	6,976,328	3.9%	6,976,328	3.9%
Rathbone Nominees Limited	6,653,415	3.7%	6,888,687	3.9%
Dr R M Miller	6,476,328	3.6%	6,476,328	3.6%
Barclayshare Nominees Limited	6,414,940	3.6%	6,456,790	3.6%
Giltspur Nominees Limited	6,073,332	3.4%	6,073,332	3.4%
TD Waterhouse Nominees (Europe)	5,781,135	3.2%	5,891,827	3.3%

### Safety, health and environment

The Group is committed to maintaining high standards of safety, health and environmental protection by conducting itself in a responsible manner to protect people and the environment. In pursuit of this, the Group has established Health and Safety procedures and policies under the control of a responsible manager. Consultants have been appointed to help monitor and train the staff of the Group.

### Financial risk management

The policies and objectives of the financial risk management are set out in Note 23 to the financial statements.

The Group treasury policy is one of conservatism approved by the Board. As a matter of policy, the Group does not undertake speculative transactions, which would increase its currency or interest rate exposure.

### Provision of information to auditors

The Directors who held office at the date of the approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that ought to have been taken as a Director in order to ensure the Board is aware of any audit information and to establish that the Group's auditors are aware of that information.

### Acquisition of own shares

During the year, the Employee Share Option Plan Trust, the details of which are set out in Note 22 to the financial statements, acquired 500,000 of the Company's shares at 3.5 pence each, representing 0.28% of called up share capital, for £17,500. These shares were purchased using a loan from the Company, as set out in Note 28 to the financial statements

### Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the General Meeting.

### Statement of Directors' Responsibilities In respect of the Annual Report and the financial statements

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group 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 that the financial statements comply with IFRS and adopted by the European Union;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

## > DIRECTORS' REPORT (continued)

For the year ended 31 August 2008

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 1985 and, as regards the group financial statements, article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the group web site, [www.fulcrumpharma.com](http://www.fulcrumpharma.com). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

**Lesley Wotherspoon**  
**Company Secretary**  
*26 November 2008*

## > CORPORATE GOVERNANCE STATEMENT

For the year ended 31 August 2008

The Directors are responsible 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).

The Company's shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Group is therefore subject to the AIM Admission Rules of the London Stock Exchange and is consequently not required to comply with the best practice corporate governance provisions contained within the Combined Code (2003) and its 2006 revised version appended to the Listing Rules of the Financial Services Authority.

### The Board

The Board currently comprises the executive and non-executive Directors. Following the recent Board changes in September 2008, the Board now has a majority of non-executive Directors. A minimum of six Board meetings are held annually. The Board is responsible for overall strategy, major finance matters and internal financial control. It also monitors executive management in the business through its review of financial, strategic and operational matters. All Directors are subject to retirement by rotation.

### Board committees

The Board has established Audit, Remuneration and Nominations Committees, each with defined terms of reference.

The Audit Committee comprises Mr G Cook, Professor Sir C George, Dr M Carter and Mr K Lacey. It meets at least twice each year and is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, for meeting the auditors and reviewing the reports from the auditors relating to the financial statements.

The Remuneration Committee comprises Dr A Bell, Mr G Cook and Mr F Condella. It meets at least twice each year and reviews the performance of the executive Directors and sets the scale and structure of their remuneration having due regard to the interests of the shareholders. The Committee also manages the share option schemes.

The Nominations Committee was established during the year and is composed of at least three members, the majority of which are non-executive Directors. It meets as appropriate to review the structure, size and composition of the Board, give full consideration to succession planning for Directors and other senior executives and keeps under review the leadership needs of the Group.

### Internal financial control

The Directors are responsible for ensuring that the Group maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used within the business and that the assets are safeguarded. There are inherent limitations in any system of internal financial control and, accordingly, even the most effective system can provide only reasonable, but not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The Group, in administering its business, has put in place strict authorisation, approval and control levels within which senior management operates. These controls reflect the Group's organisational structure and business objectives. This control system includes clear lines of accountability to cover all areas of the organisation. The Board operates procedures to identify the major business risks facing the Group and controls those risks. The Group also has a budgeting and reporting system in place with results compared to budget, variance analysis and re-forecasting of projected results.

### Going concern

The Directors have reviewed the Group's budgets and forecasts with respect to its financial position as at 31 August 2008. After taking into consideration the cash flow implications of these plans, the Directors are satisfied that it is appropriate to produce the Group financial statements on a going concern basis.

By order of the Board

**Professor Sir Charles George**

**Non-executive Chairman**

26 November 2008

## > INDEPENDENT AUDITORS' REPORT

To the members of Fulcrum Pharma PLC

We have audited the Group and the Company financial statements (the "financial statements") of Fulcrum Pharma plc for the year ended 31 August 2008 which comprise the Consolidated income statement, the Consolidated and Company balance sheets, the Consolidated and Company cash flow statements, the Company statement of changes in equity, the Consolidated statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been 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. The information given in the Directors' report includes that specific information presented in the Chairman's statement and the Chief Executive's review that is cross referred from the Business review section of the Directors' report.

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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's statement and the Chief Executive's review and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### 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 judgments 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.

### Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 August 2008 and of the Group's profit and cash flows for the year then ended; and
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 August 2008 and cash flows for the year then ended;
- the Group 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.

**PricewaterhouseCoopers LLP**

**Chartered Accountants and Registered Auditors**

*St Albans*

*27 November 2008*

**> CONSOLIDATED INCOME STATEMENT**

For the year ended 31 August 2008

	Note	Year ended 31 August 2008 £'000	Year ended 31 August 2007 £'000
<b>Revenue</b>	3	<b>14,826</b>	11,503
Cost of sales		<b>(7,966)</b>	(6,805)
<b>Gross profit</b>		<b>6,860</b>	4,698
Selling expenses		<b>(757)</b>	(504)
Administrative expenses		<b>(5,437)</b>	(4,103)
Other operating income	4	—	95
<b>Operating profit</b>		<b>666</b>	186
Finance income	7	<b>69</b>	42
Finance costs	7	<b>(281)</b>	(77)
<b>Profit on ordinary activities before taxation</b>		<b>454</b>	151
Income tax expense	8	<b>(130)</b>	(10)
<b>Profit for the year</b>		<b>324</b>	141
Earnings per share (pence)			
Basic	10	<b>0.19p</b>	0.10p
Diluted	10	<b>0.18p</b>	0.09p

The notes on pages 19 to 52 are an integral part of these consolidated financial statements.

**> CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

For the year ended 31 August 2008

	Note	Year ended 31 August 2008 £'000	Year ended 31 August 2007 £'000
Fair value gains net of tax:			
— Available-for-sale financial assets	13	<b>1</b>	104
<b>Net gain recognised directly in equity</b>		<b>1</b>	104
Profit for the year		<b>324</b>	141
<b>Total recognised income for the period</b>		<b>325</b>	245
Currency translation differences	22	<b>53</b>	12
<b>Total recognised gains attributable to the shareholders</b>		<b>378</b>	257

## &gt; CONSOLIDATED BALANCE SHEET

As at 31 August 2008

	Note	31 August 2008 £'000	31 August 2007 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Intangible assets	11	3,973	3,591
Property, plant and equipment	12	627	715
Available-for-sale financial assets	13	378	574
Deferred tax assets	20	57	—
		<b>5,035</b>	<b>4,880</b>
<b>Current assets</b>			
Trade and other receivables	15	5,704	5,923
Cash and cash equivalents	16	2,903	2,434
		<b>8,607</b>	<b>8,357</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	(5,520)	(5,363)
Current tax liabilities	17	(102)	(31)
Bank overdrafts	16	—	(217)
Bank and other borrowings	18	(337)	(1,031)
Convertible loan notes	18	(148)	(450)
Deferred cash consideration	17	(372)	—
		<b>(6,479)</b>	<b>(7,092)</b>
<b>Net current assets</b>			
		<b>2,128</b>	<b>1,265</b>
<b>Non current liabilities</b>			
Bank loans and other borrowings	18	(599)	(116)
Convertible loan notes	18	(295)	(136)
Deferred cash consideration	19	—	(114)
Deferred tax liabilities	20	(73)	—
		<b>(967)</b>	<b>(366)</b>
<b>Net assets</b>			
		<b>6,196</b>	<b>5,779</b>
<b>Equity</b>			
Share capital	21	1,779	1,779
Share premium account	22	6,082	6,082
Merger reserve	22	(454)	(454)
Retained earnings	22	(1,211)	(1,628)
<b>Total equity</b>			
		<b>6,196</b>	<b>5,779</b>

The financial statements were approved by the Board of Directors on 26 November 2008 and were signed on its behalf by:

**Frank Armstrong**  
*Director*

**Geoffrey Smith**  
*Director*

## &gt; COMPANY BALANCE SHEET

As at 31 August 2008

	Note	31 August 2008 £'000	31 August 2007 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Investment in subsidiaries	14	5,531	4,932
		<b>5,531</b>	<b>4,932</b>
<b>Current assets</b>			
Trade and other receivables	15	4,052	4,881
Cash and cash equivalents	16	500	641
		<b>4,552</b>	<b>5,522</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	(308)	(362)
Bank and other borrowings	18	(250)	(937)
Convertible loan notes	18	(148)	(450)
Deferred cash consideration	17	(372)	—
Current tax liabilities	17	—	(1)
		<b>(1,078)</b>	<b>(1,750)</b>
<b>Net current assets</b>		<b>3,474</b>	<b>3,772</b>
<b>Non current liabilities</b>			
Bank loans and other borrowings	18	(500)	—
Convertible loan notes	18	(295)	(136)
Deferred cash consideration	19	—	(114)
		<b>(795)</b>	<b>(250)</b>
<b>Net assets</b>		<b>8,210</b>	<b>8,454</b>
<b>Equity</b>			
Share capital	21	1,779	1,779
Share premium account		6,082	6,082
Profit and loss account		349	593
<b>Total equity</b>		<b>8,210</b>	<b>8,454</b>

The financial statements were approved by the Board of Directors on 26 November 2008 and were signed on its behalf by:

**Frank Armstrong**      **Geoffrey Smith**  
*Director*                      *Director*

## &gt; COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2008

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
At 1 September 2006	1,285	4,547	106	5,938
Retained profit for year	—	—	443	443
Issue of ordinary shares	494	1,535	—	2,029
Options compensation charge	—	—	14	14
Options compensation charge – capital contribution	—	—	50	50
Purchase of own shares for ESOP Trust	—	—	(20)	(20)
<b>At 31 August 2007</b>	<b>1,779</b>	<b>6,082</b>	<b>593</b>	<b>8,454</b>
Retained loss for year	—	—	(283)	(283)
Options compensation charge	—	—	12	12
Options compensation charge – capital contribution	—	—	26	26
Purchase of own shares for ESOP Trust	—	—	1	1
<b>At 31 August 2008</b>	<b>1,779</b>	<b>6,082</b>	<b>349</b>	<b>8,210</b>

## > CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 August 2008

	Note	Year ended 31 August 2008 £'000	Year Ended 31 August 2007 £'000
<b>Continuing operations</b>			
Profit before tax		454	151
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment		283	275
Amortisation of intangible assets		191	111
Share based payments		38	64
Loss on disposal of fixed assets		—	48
Net finance costs		212	35
<b>Changes in working capital:</b>			
Decrease/(increase) in trade and other receivables		335	(1,390)
(Decrease)Increase in payables		(20)	1,580
<b>Cash generated by operations</b>		<b>1,493</b>	<b>874</b>
<b>Cash (absorbed by)/generated from operating activities</b>			
Interest received		72	39
Interest paid — bank and other loans		(108)	(44)
Taxation paid		(64)	(78)
<b>Net cash (absorbed by)/generated from operating activities</b>		<b>(100)</b>	<b>(83)</b>
<b>Cash used in investing activities</b>			
Purchase of property, plant and equipment		(180)	(450)
Acquisition of a subsidiary	26	135	(2,398)
Net overdraft acquired with subsidiary		—	(58)
<b>Net cash used in investing activities</b>		<b>(45)</b>	<b>(2,906)</b>
<b>Financing activities</b>			
Issuing of ordinary shares	22	—	2,029
Increase in bank borrowings		43	1,043
Repayment of bank loans		(282)	(104)
Repayment of obligations under finance leases		(10)	(17)
Loan note repayments		(450)	(740)
Sale/(purchase) of shares for Employee Share Option Plan Trust		1	(20)
<b>Net cash (used by)/generated from financing activities</b>		<b>(698)</b>	<b>2,191</b>
Effect of foreign exchange rate changes on cash and cash equivalents		36	56
<b>Net increase in cash and cash equivalents</b>		<b>686</b>	<b>132</b>
Cash and cash equivalents at the beginning of the period		2,217	2,085
<b>Cash and cash equivalents at the end of the period</b>	16	<b>2,903</b>	<b>2,217</b>

**> COMPANY CASH FLOW STATEMENT**

For the year ended 31 August 2008

	Note	Year ended 31 August 2008 £'000	Year Ended 31 August 2007 £'000
<b>Continuing operations</b>			
Loss before tax		(287)	(109)
<b>Adjustments for:</b>			
Share based payments		12	13
Net finance costs		(87)	(83)
<b>Changes in working capital:</b>			
Decrease/(increase) in trade and other receivables		673	(99)
(Decrease)Increase in payables		(16)	(89)
<b>Cash generated/(absorbed) by operations</b>		<b>295</b>	<b>(367)</b>
<b>Cash generated from operating activities</b>			
Interest received		162	138
Interest paid — bank and other loans		(94)	(25)
Taxation (paid)/received		(3)	101
<b>Net cash generated from operating activities</b>		<b>65</b>	<b>214</b>
<b>Cash/received (used) in investing activities</b>			
Acquisition of a subsidiary	26	135	(2,390)
Dividends received from subsidiary companies		—	450
<b>Net cash/received (used) in investing activities</b>		<b>135</b>	<b>(1,940)</b>
<b>Financing activities</b>			
Issuing of ordinary shares		—	2,029
Increase in bank borrowings		—	1,000
Repayment of bank loans		(187)	(61)
Loan note repayments		(450)	(740)
Sale/(purchase) of shares for Employee Share Option Plan Trust		1	(20)
<b>Net cash (used by)/generated from financing activities</b>		<b>(636)</b>	<b>2,208</b>
<b>Net increase in cash and cash equivalents</b>		<b>(141)</b>	<b>115</b>
Cash and cash equivalents at the beginning of the period		641	526
<b>Cash and cash equivalents at the end of the period</b>	16	<b>500</b>	641

## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2008

### 1. GENERAL INFORMATION

Fulcrum Pharma Plc ("the Company") and its subsidiaries (together "the Group") are professional service companies providing clients with expert solutions for the development of therapeutic products. The Company is a public limited company incorporated and domiciled in England. The address of its registered office is Hemel One, Boundary Way, Hemel Hempstead, Herts, HP2 7YU, UK.

The Company is listed on the London AIM stock exchange.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. These are the Group's and Company's first financial statements prepared under IFRS and IFRS 1 has been applied. Details of how the Group's results and financial position are affected by the change to IFRS are set out in Note 29.

The financial statements have been prepared under the historical cost convention except for certain items that have been measured at fair value as detailed in the individual accounting policies below.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The accounting estimates that have the most risk of causing a material adjustment to the carrying value of assets and liabilities are in relation to the impairment of goodwill, as discussed below.

The accounting policies set out below have been applied consistently for all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 September 2006 for the purpose of the transition to IFRS.

#### *Basis of consolidation*

The Group financial statements consolidate the results of Fulcrum Pharma plc and its subsidiaries and the Employee Share Option Plan Trust ("ESOP Trust") drawn up to 31 August 2008. The results of all the subsidiaries, with the exception of Fulcrum Pharma (Europe) Limited, have been consolidated using the principles of acquisition accounting. Fulcrum Pharma (Europe) Limited, which was acquired in March 2000, has been consolidated using the principles of merger accounting.

Inter-company transactions, profits and balances are eliminated in full on consolidation.

The Company has not presented its own profit and loss account as permitted by section 230(3) of the Companies Act 1985.

#### *Revenue recognition*

Revenue, which is stated net of value added tax, represents amounts invoiced to third parties, excluding pass-through costs from suppliers, except in respect of long-term contracts where turnover represents the sales value of work performed in the year, including estimates in respect of amounts not invoiced. Revenue in respect of long-term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract.

Profit on long-term contracts is recognised as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, on a contract by contract basis, by recording turnover and related costs as contract activity progresses. Revenue derived from variations on contracts is recognised only when they have been agreed with the client. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Milestone payments due under contractual relationships are recorded as revenue when all work related to the milestone is completed.

#### *Government grants*

Government grants which are granted under job creation schemes are recognised in the income statement on a basis that matches the costs of employment. The grants receivable are credited to the profit and loss account as the criteria for payment of each instalment are met.

#### *Foreign currencies*

The consolidated financial statements are presented in pounds sterling, which is the Company's functional and presentational currency. The Group determines the functional currency of each entity and items included in the financial statements of each entity are measured using that functional currency.

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 retranslated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

## > NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries are translated at the average rate of exchange for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiaries, and from the translation of the results of those undertakings at the average rate, are taken to reserves and are reported in the Statement of Recognised Income and Expense. All other foreign exchange differences are taken to the income statement in the year in which they arise and are included in operating profit.

As permitted by IFRS 1 "First time adoption of IFRS", the Group elected to deem the cumulative translation differences arising on the consolidation of overseas subsidiaries at the date of transition to IFRS to be nil.

#### *Employee benefits — Share-based compensation*

The Group issues equity-settled share payments to certain employees. In accordance with IFRS 2 "Share-based payments", equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of shares that will ultimately vest. The Group has applied the exemption available and has applied the provisions of IFRS 2 only to those options awarded after 7 November 2002 and which were outstanding at 1 September 2006. At each balance sheet date, the group revises its estimates of the number of options that are expected to vest. The Group recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

#### *Financial instruments*

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provision of the instrument.

#### *Investments*

Investments are recognised at the trade date. Investments (other than investments in subsidiary undertakings) are classified as available-for-sale and are recognised at fair value. Gains and losses arising from changes in the fair value of available-for-sale investments are recognised directly in equity, until the security is disposed of or it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net result for the year within finance income or finance costs.

Investments in subsidiary companies are stated at cost less impairment.

Investments are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable.

#### *Interest-bearing borrowings*

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Interest payable on bank loans and overdrafts is written off to the income statement using the effective interest rate method.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the group or company after deducting all of its liabilities.

#### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### *Compound financial instruments.*

Compound financial instruments are split between the liability and equity components at the date the financial instrument is issued. The fair value of the liability element is calculated using the market interest rate of an equivalent non-convertible loan. The residual amount, representing the value of the equity conversion option, is included in equity.

#### *Pensions*

The Group makes contributions to individual personal pension plans. The contributions are charged to the profit and loss account as they are incurred.

#### *Trade payables.*

Trade payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### *Segment reporting.*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Taxation*

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit reported in the income statement because the former excludes items of income or expense that are either taxable or deductible in other years or that are never taxable or deductible, and it includes tax reliefs that are not included in the income statement. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are provided in full on temporary differences, and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided using the rates of tax that are expected to apply in the period when the liability is settled or the asset is realised.

### *Business combinations and goodwill*

Goodwill arising on acquisitions is initially measured at cost, being the excess of the cost of acquisition over the Group's share of net fair value of the acquired entity's identifiable assets and liabilities at the date of acquisition.

Goodwill is tested for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. The recoverable amount is the higher of fair value less cost to sell, and value in use. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

At the acquisition date of a subsidiary, goodwill acquired is recognised as an asset and is allocated to each of the cash-generating units.

Goodwill arising on acquisitions before 1 September 2006 (the date of transition to IFRS) was retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

### *Intangible fixed assets*

Acquired intangible assets are stated at cost, net of amortisation and any provision for impairment. Amortisation is provided on intangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful economic life, as follows:

Trade name	—	one year
Customer relationships	—	six years
Order book	—	one year
Database	—	three years

The carrying values of intangible fixed assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable.

### *Property, plant and equipment*

Property, plant and equipment is stated at cost, less accumulated depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful economic life, as follows:

Leasehold improvements	—	over the lease term
Fixtures and fittings	—	five years
Computer equipment	—	two — five years

The carrying values of tangible fixed assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable.

### *Trade receivables and other receivables.*

Trade receivables are non-interest bearing and are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments, available with no penalty, with original maturities of three months or less and bank overdrafts.

## > NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Finance and operating leases*

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. Assets under these leasing arrangements are recognised at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease and depreciated over the shorter of their expected useful lives and the lease term. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the profit and loss account. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

#### *ESOP Trust*

The Group has adopted SIC 12 "Consolidation — special purpose entities" in accounting for the ESOP Trust in the consolidated financial statements. The Company recognises the assets and liabilities of the ESOP Trust in its own financial statements, and shares held by the trust are recorded at cost less impairment as a deduction in arriving at shareholders' funds until such time as the shares vest unconditionally to employees.

#### *Recent accounting developments*

At the date of the authorisation of these financial statements, there are a number of standards, amendments and interpretations that have been published. The Company has not early adopted any standards, amendments or interpretations.

The standards, amendments and interpretations that are expected to impact upon the Company are:

IAS 23 (Amendment) "Borrowing costs" — the amendment to the standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs is removed. The amendment will apply to the Group from the annual period commencing 1 September 2009.

IAS 1 (Amendment) "Presentation of Financial Statements" — this amendment prohibits the presentation of items of income and expense (that is 'non-owner changes in equity') in the statement of changes in equity. Revised IAS 1 also sets out the additional disclosure requirements for entities making restatements or reclassifications. The amendment will apply to the Group from the annual period commencing 1 September 2009.

IFRS 2 (Amendment) "Share-based payments" — this amendment clarifies that vesting conditions are service and performance conditions only. It also specifies that all cancellations should receive the same accounting treatment, whether cancelled by the entity or by other parties. The amendment will apply to the Group from the annual period commencing 1 September 2009.

IFRS 3 (Amendment) "Business combinations" — this amendment includes some significant changes to how the acquisition method is applied to business combinations. This amendment applies to the Group from the annual period commencing 1 September 2009.

The following standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Company:

IFRS 8 "Operating segments" applies to the Group from the annual period commencing 1 September 2008. IFRS 8 amends the current segmental reporting requirement of IAS 14 and requires 'management approach' to be adopted so that segment information is presented on the same basis as that used for internal reporting purposes.

IAS 27 (Amendment) "Consolidated and separate financial statements" applies to the Group from the annual period commencing 1 September 2010. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control.

IAS 32 (Amendment) "Financial Instruments: Presentation" and IAS 1 (Amendment) "Presentation of Financial Statements - Puttable Instruments and Instruments with Obligations Arising on Liquidation" applies to the Group from the annual period commencing 1 September 2009.

IFRIC 12 "Service concession arrangements" applies to Group and Company from the annual period commencing 1 September 2008.

IFRIC 13 "Customer loyalty programmes" applies to the Group and Company from the annual period commencing 1 September 2008.

### 3. SEGMENTAL REPORTING

#### Primary reporting format — Business segments

Based on the risks and returns, the Directors consider that the primary reporting format is by business segment. The Directors consider that there is only one business segment, being professional services to the pharmaceutical industry. Therefore, the disclosures for the primary segment have already been given in the financial statements.

#### Secondary reporting format — Geographical segments

Although the Group is located in several different geographical areas, sales and costs are cross-charged around the group to such an extent that the results of each location are significantly dependent on the activities of the others. The geographical segments are therefore considered to be the secondary reporting format.

#### Revenue analysis

	Revenue by origin		Revenue by destination	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
United Kingdom	9,831	8,190	4,779	2,855
Europe	—	—	2,656	2,742
North America	2,431	1,411	2,787	1,962
Japan	2,564	1,902	3,999	2,930
Other countries	—	—	605	1,014
	<b>14,826</b>	11,503	<b>14,826</b>	11,503

#### Total assets by asset location

	Segment assets		Capital expenditure	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
United Kingdom and Europe	10,239	10,072	164	416
North America	1,968	1,788	16	26
Japan	1,435	1,377	—	8
	<b>13,642</b>	13,237	<b>180</b>	450

### 4. OTHER OPERATING INCOME

	2008 £'000	2007 £'000
Government grants	—	95

**> NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 August 2008

**5. PROFIT ON ORDINARY ACTIVITIES**

This is stated after charging/(crediting):

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Auditors' remuneration:		
— fees payable to the Company's auditors for the audit of the prior year accounts	<b>58</b>	—
— fees payable to the Company's auditors for the audit of the parent company and consolidated accounts	<b>18</b>	33
— fees payable to the Company's auditors and associates for the audit of the Company's subsidiaries pursuant to legislation	<b>39</b>	23
Amortisation of intangible fixed assets	<b>191</b>	111
Depreciation of tangible fixed assets — owned	<b>271</b>	258
Depreciation of tangible fixed assets — leased	<b>12</b>	17
Operating lease rentals:		
— hire of plant & machinery	<b>49</b>	53
— property	<b>446</b>	456
Foreign exchange (gains)/losses through the income statement	<b>(74)</b>	12
Income recognised in respect of Buncefield claim	<b>(14)</b>	(137)

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account for the parent company is not presented. The parent company's result for the year was a loss of £283,000 (2007: profit of £443,000).

**6. STAFF COSTS****Staff costs**

	<b>Group</b>	<b>Company</b>	Group	Company
	<b>2008</b>	<b>2008</b>	2007	2007
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Wages and salaries	<b>7,886</b>	<b>576</b>	5,960	345
Social security costs	<b>722</b>	<b>63</b>	660	45
Pension costs	<b>528</b>	<b>129</b>	466	80
Share based employee remuneration (Note 27)	<b>38</b>	<b>12</b>	64	30
	<b>9,174</b>	<b>780</b>	7,150	500

**Staff numbers**

The average monthly number of employees (including executive Directors) during the year was:

	<b>Group</b>	<b>Company</b>	Group	Company
	<b>2008</b>	<b>2008</b>	2007	2007
	<b>£'000</b>	<b>£'000</b>	Number	Number
Project management	<b>103</b>	—	98	—
Sales and administration	<b>34</b>	<b>8</b>	30	3
	<b>137</b>	<b>8</b>	128	3

## 6. STAFF COSTS (continued)

### Directors' emoluments

The emoluments of the Directors for the year ended 31 August 2008 were £599,000 (2007: £427,000). The emoluments of each Director during the period were as follows:

	2008						2007				
	Basic salary and fees £'000	Bonus £'000	Share based payment £'000	Pension contributions £'000	Compensation for loss of office £'000	Total £'000	Basic salary and fees £'000	Bonus £'000	Share based payment £'000	Pension contributions £'000	Total £'000
<b>Executive:</b>											
Dr F M Armstrong	76	—	3	3	—	82	—	—	—	—	—
Dr J P Court	77	9	—	8	53	147	114	—	—	10	124
Mr C G G Smith	130	10	15	14	—	169	102	2	16	9	129
Dr J A Devlin	125	2	—	13	—	140	109	2	—	10	121
	<b>408</b>	<b>21</b>	<b>18</b>	<b>38</b>	<b>53</b>	<b>538</b>	325	4	16	29	374
<b>Non-executive:</b>											
Professor											
Sir C F George	20	—	—	—	—	20	20	—	1	—	21
Dr M Carter	16	—	—	—	—	16	16	—	—	—	16
Dr J A Bell	25	—	—	—	—	25	16	—	—	—	16
	<b>61</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>61</b>	52	—	1	—	53
	<b>469</b>	<b>21</b>	<b>18</b>	<b>38</b>	<b>53</b>	<b>599</b>	377	4	17	29	427

Mr G D Cook was appointed as Chairman designate on the 28 August 2008 but did not receive any emoluments until 1 September 2008.

Mr F C Condella and Mr K L Lacey have been appointed as non-executive Directors since the year end.

	2008 £'000	2007 £'000
Members of money purchase pension schemes	4	3

## 7. FINANCE INCOME AND COSTS

### Group

	Note	2008 £'000	2007 £'000
Interest income:			
— Bank interest		69	42
<b>Finance income</b>		<b>69</b>	<b>42</b>
Interest expense:			
— On bank loans and overdrafts		(74)	(49)
— On convertible loan stock		(8)	(28)
— In respect of finance leases		(2)	—
Fair value losses on financial instruments			
— Impairment of available-for-sale financial assets	13	(197)	—
<b>Finance costs</b>		<b>(281)</b>	<b>(77)</b>
<b>Net finance costs</b>		<b>(212)</b>	<b>(35)</b>

## > NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2008

### 8. INCOME TAX EXPENSE

#### Group

	Note	2008 £'000	2007 £'000
Current taxation		111	10
Adjustments in respect of prior periods		(3)	—
<b>Total current taxation</b>		<b>108</b>	<b>10</b>
Deferred taxation	20	22	—
<b>Taxation charge</b>		<b>130</b>	<b>10</b>

The tax charge in the group's profit before taxation differs from the theoretical amount using the weighted average tax rate applicable to profits of consolidated entities as follows:

	2008 £'000	2007 £'000
<b>Profit on ordinary activities before tax</b>	<b>454</b>	<b>151</b>
Tax calculated at domestic tax rates applicable to profits in the respective countries	161	53
Effects of:		
— Differences between capital allowances and depreciation	1	(1)
— Expenses not deductible for tax purposes	185	71
— Tax losses for the period not relieved	—	75
— Tax losses for the period carried forward	(55)	(35)
— Research and development tax credits	(181)	(153)
<b>Income tax expense</b>	<b>111</b>	<b>10</b>

The weighted average applicable tax rate was 35.5% (2007: 35.1%). The reduction is caused by a change in the profitability of the group's overseas subsidiaries.

Effective from 1 April 2008, the rate of corporation tax in the United Kingdom reduced from 30% to 28%.

### 9. DIVIDENDS

No interim dividend was declared during the year (2007: £Nil). No final dividend has been proposed (2007: £Nil).

### 10. EARNINGS PER SHARE

	2008	2007
Basic earnings per share	0.19p	0.10p
Diluted earnings per share	0.18p	0.09p

	2008 Number	2007 Number
Weighted average number of shares	177,940,745	147,633,249
Weighted average number of shares held by the ESOP Trust	(4,264,364)	(4,093,963)
Weighted average number of shares for basic earnings per share	173,676,381	143,539,286
Number of dilutive shares under option	2,107,702	9,222,005
Weighted average number of shares for diluted earnings per share	175,784,083	152,761,291

The basic earnings per ordinary share is based on the Group's profit for the year of £324,000 (2007: £141,000) divided by the weighted average number of ordinary shares in issue, excluding those shares held by the ESOP Trust.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the effects of potentially dilutive potential ordinary shares.

## 11. INTANGIBLE FIXED ASSETS

### Group

	Note	Goodwill £'000	Other £'000	Total £'000
<b>Cost</b>				
At 1 September 2006		1,216	—	1,216
Additions		1,875	611	2,486
<b>At 31 August 2007</b>		<b>3,091</b>	<b>611</b>	<b>3,702</b>
Additions	26	573	—	573
<b>At 31 August 2008</b>		<b>3,664</b>	<b>611</b>	<b>4,275</b>
<b>Amortisation</b>				
At 1 September 2006		—	—	—
Charge for the year		—	(111)	(111)
<b>At 31 August 2007</b>		<b>—</b>	<b>(111)</b>	<b>(111)</b>
Charge for the year		—	(191)	(191)
<b>At 31 August 2008</b>		<b>—</b>	<b>(302)</b>	<b>(302)</b>
<b>Net book value</b>				
<b>At 31 August 2008</b>		<b>3,664</b>	<b>309</b>	<b>3,973</b>
At 31 August 2007		3,091	500	3,591
At 31 August 2006		1,216	—	1,216

### Goodwill

Goodwill acquired on business combinations is not amortised but is reviewed for impairment on an annual basis or more frequently if there are any indications that the goodwill may be impaired. Goodwill acquired in a business combination is allocated to groups of cash-generating units according to the level at which management monitor that goodwill.

Recoverable amounts for cash-generating units are based on value in use calculations. The calculations use cash flow projections based on financial forecasts over a period of six years. These cash flow projections have been discounted at 10%, the Group's average cost of borrowings, and approved by management. The key assumptions for the net present value calculations are those regarding growth rates and profitability during the period.

Management estimate the growth rates based on industry growth forecasts of between 12% and 15% and a reasonable estimate of achievable market share. Net profit is estimated at up to 15% based on industry averages and management's expectations of the cash-generating units.

At 31 August 2008 and 2007, impairment reviews were performed by comparing the carrying value of goodwill with the value in use of the cash-generating units to which goodwill has been allocated. The value in use exceeds the carrying value of goodwill by between 30% and 90%. Management have concluded that there has been no impairment loss against goodwill for the years ended 31 August 2008 and 31 August 2007.

### Other intangible assets

Other intangible assets consist of £470,000 of customer relationships, £66,000 of trade name and £75,000 of database validation acquired as part of the purchase of Unicus Regulatory Services Limited in April 2007. These assets are being amortised over 1 — 6 years, being the expected life of the assets from the date of purchase. Amortisation charges in the year have been charged to administrative expenses. There are no events that would indicate any impairment.

### Company

The Company has no intangible fixed assets.

**> NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 August 2008

**12. PROPERTY, PLANT AND EQUIPMENT****Group**

	Leasehold improvements £'000	Computers and office fixtures and fittings £'000	Total £'000
<b>Cost</b>			
At 1 September 2006	259	879	1,138
Exchange adjustments	(3)	(13)	(16)
Additions	163	287	450
Acquired with subsidiary	—	293	293
Disposals	(134)	(139)	(273)
<b>At 31 August 2007</b>	<b>285</b>	<b>1,307</b>	<b>1,592</b>
Exchange adjustments	13	37	50
Additions	—	180	180
<b>At 31 August 2008</b>	<b>298</b>	<b>1,524</b>	<b>1,822</b>
<b>Depreciation</b>			
At 1 September 2006	(134)	(452)	(586)
Exchange adjustments	1	10	11
Charge for the year	(50)	(225)	(275)
Acquired with subsidiary	—	(252)	(252)
Disposals	87	138	225
<b>At 31 August 2007</b>	<b>(96)</b>	<b>(781)</b>	<b>(877)</b>
Exchange adjustments	(6)	(29)	(35)
Charge for the year	(51)	(232)	(283)
<b>At 31 August 2008</b>	<b>(153)</b>	<b>(1,042)</b>	<b>(1,195)</b>
<b>Net book value</b>			
<b>At 31 August 2008</b>	<b>145</b>	<b>482</b>	<b>627</b>
At 31 August 2007	189	526	715
At 31 August 2006	125	427	552

The net book value of computers and office fixtures and fittings held under finance leases is £6,000 (2007: £16,000).

**Company**

The Company has no tangible fixed assets.

### 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

#### Group

	2008 £'000	2007 £'000
At 1 September	574	469
Exchange adjustments recognised in income statement	3	—
Impairment recognised in income statement	(200)	—
Net exchange differences transferred to equity	50	(16)
Net (losses)/gains transferred to equity	(49)	121
<b>At 31 August</b>	<b>378</b>	<b>574</b>

Available-for-sale financial assets include the following:

	2008 £'000	2007 £'000
Listed investments:		
Addex Pharmaceuticals SA (Swiss Francs)	278	277
Nanocarrier Co. Ltd (Japanese Yen)	100	—
Other investments:		
Nanocarrier Co. Ltd (Japanese Yen)	—	297
	<b>378</b>	<b>574</b>

The Group owns a 0.19% stake in Addex Pharmaceuticals SA (2007: 0.19%). Under IFRS, this has been marked to market at 31 August 2007 and 2008.

The Group owns a 0.8% investment in Nanocarrier Co. Ltd (2007: 0.8%). At 31 August 2007, the investment was unlisted and valued at historical cost. During the year, it was listed on the Tokyo Mother's Market stock exchange and is therefore marked to market at 31 August 2008. In the year to 31 August 2008, the Group recognised a net impairment of £197,000 (2007: £Nil) after exchange adjustments. The impairment arose as a result of a delay in listing the investment as planned, a further private fundraising and subsequent dilution.

### 14. INVESTMENTS

#### Company

	Investments in subsidiary companies £'000	Capital contributions arising from share-based payments £'000	Total £'000
<b>Cost</b>			
At 1 September 2007	2,010	109	2,119
Additions	2,763	50	2,813
<b>At 31 August 2007</b>	<b>4,773</b>	<b>159</b>	<b>4,932</b>
Additions	573	26	599
<b>At 31 August 2008</b>	<b>5,346</b>	<b>185</b>	<b>5,531</b>

The investments represent shares in subsidiary companies. The Company does not hold any trade investments.

**> NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 August 2008

**14. INVESTMENTS (continued)**

The Company owns the following subsidiaries:

Company	Country of incorporation	Class of share	Proportion held (%)	Principal activities
Fulcrum Pharma (Europe) Limited (formerly Fulcrum Pharma Developments Limited)	United Kingdom	Ordinary	100	Drug development & professional services
Fulcrum Pharma Developments Limited	United Kingdom	Ordinary	100	Dormant
Fulcrum Pharma Developments International Limited	United Kingdom	Ordinary	100	Holding company
Quadramed Limited	United Kingdom	Ordinary	100	Dormant
Unicus Regulatory Services Limited	United Kingdom	Ordinary	100	Dormant
Unicus Ltd	United Kingdom	Ordinary	100	Dormant
Unicus Training Ltd	United Kingdom	Ordinary	100	Dormant
Unicus Coaching & Development Limited	United Kingdom	Ordinary	100	Dormant
Fulcrum Ventures Limited	United Kingdom	Ordinary	100	Dormant
Fulcrum Regulatory Limited	United Kingdom	Ordinary	100	Dormant
Fulcrum Regulatory Services Limited	United Kingdom	Ordinary	100	Dormant
Fulcrum Pharma Developments Inc.	US	Ordinary	100	Drug development & professional services
GPB KK	Japan	Ordinary	100	Holding company
Fulcrum Pharma KK	Japan	Ordinary	100	Drug development & professional services
Niphix KK	Japan	Ordinary	100	Clinical Research Organisation

Fulcrum Pharma Developments International Limited owns 100% of the share capital of Fulcrum Pharma Developments Inc. and GPB KK, and GPB KK owns 100% of the share capital of Fulcrum Pharma KK and Niphix KK.

On 1 April 2008, Fulcrum Pharma Developments Ltd was renamed Fulcrum Pharma (Europe) Limited and became the single trading entity in Europe. This integrated the businesses of the acquired subsidiary companies, Quadramed Ltd and Unicus Regulatory Services Ltd with that of Fulcrum Pharma Developments Ltd. Quadramed Ltd and Unicus Regulatory Services Ltd were subsequently made dormant.

**15. TRADE AND OTHER RECEIVABLES**

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Trade receivables	3,467	—	3,329	—
Less provision for impairment of trade receivables	(44)	—	(22)	—
Net trade receivables	3,423	—	3,307	—
Amounts owed by subsidiary undertakings	—	3,999	—	4,660
Corporation tax recoverable	39	11	17	6
Other receivables	468	14	785	190
Prepayments and accrued income	1,774	28	1,814	25
	<b>5,704</b>	<b>4,052</b>	5,923	4,881

Included in Company debtors, within amounts owed by subsidiary undertaking, is an amount of £2,500,000 (2007: £2,500,000) due after more than one year.

There is no material difference between the book value and carrying value of trade and other receivables for both the Company and the Group.

**15. TRADE AND OTHER RECEIVABLES (continued)**

The ageing of the Group's trade receivables at 31 August is detailed below:

	<b>2008</b> <b>£'000</b>	2007 £'000
Not yet due	<b>2,036</b>	2,054
Due	<b>1,224</b>	771
One month past due	<b>173</b>	331
Two to three months past due	<b>32</b>	86
More than four months past due	<b>2</b>	87
	<b>3,467</b>	3,329

The Group's policy requires clients to pay in accordance with agreed payment terms. The settlement terms are generally due within 30 days from the end of the month of sale and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various clients. The Group does not hold any collateral or security. The Group has a strict credit control process. As the majority of the Group's clients are large companies with whom the Group has long standing relationships, the risk of default is considered to be low and write offs due to bad debts are extremely low. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

The Company has no trade receivables.

Trade and other receivables are denominated in the following currencies for the Group:

	Sterling £'000	Yen £'000	US Dollar £'000	Euro £'000	Total £'000
<b>As at 31 August 2008</b>	<b>3,518</b>	<b>575</b>	<b>1,231</b>	<b>380</b>	<b>5,704</b>
As at 31 August 2007	3,541	832	1,270	280	5,923

All of the Company's trade and other receivables are denominated in Sterling.

Movements on the Group's provision for impairment of trade receivables are as follows:

	<b>2008</b> <b>£'000</b>	2007 £'000
As at 1 September	<b>22</b>	55
Provision for receivables impairment	<b>22</b>	—
Receivables written off during the year as uncollectable	—	(33)
As at 31 August	<b>44</b>	22

The creation of provision for impaired receivables has been included in administrative expenses. Amounts charged to the allowance account are generally written off where there is no expectation of recovery. The Company has no provision for impaired receivables.

The other classes within trade and other receivables do not contain impaired amounts.

**16. CASH AND CASH EQUIVALENTS**

	<b>Group</b> <b>2008</b> <b>£'000</b>	<b>Company</b> <b>2008</b> <b>£'000</b>	Group 2007 £'000	Company 2007 £'000
Cash at bank and in hand	<b>2,403</b>	—	1,934	141
Short-term investments	<b>500</b>	<b>500</b>	500	500
Bank overdrafts	—	—	(217)	—
	<b>2,903</b>	<b>500</b>	2,217	641

**> NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 August 2008

**17. TRADE AND OTHER PAYABLES — CURRENT**

	<b>Group 2008 £'000</b>	<b>Company 2008 £'000</b>	Group 2007 £'000	Company 2007 £'000
Trade payables	1,594	10	1,467	16
Amounts owed to Group undertakings	—	9	—	19
Corporation tax	102	—	31	1
Other taxes and social security costs payable	187	21	254	4
Deferred cash consideration	372	372	—	—
Other payables	347	191	390	235
Accruals and deferred income	3,392	77	3,252	88
	<b>5,994</b>	<b>680</b>	5,394	363

**18. BORROWINGS**

	<b>Group 2008 £'000</b>	<b>Company 2008 £'000</b>	Group 2007 £'000	Company 2007 £'000
Current:				
Bank loans	332	250	1,020	937
Finance lease obligation	5	—	11	—
Convertible loan notes	148	148	450	450
	<b>485</b>	<b>398</b>	1,481	1,387
Non-Current:				
Bank loans	598	500	111	—
Finance lease obligation	1	—	5	—
Convertible loan notes	295	295	136	136
	<b>894</b>	<b>795</b>	252	136
	<b>1,379</b>	<b>1,193</b>	1,733	1,523

Bank loans and overdrafts are unsecured. There is no difference between the fair value and carrying value of borrowings.

See note 23 for the break down by currency and for details of the convertible loan notes.

**19. TRADE AND OTHER PAYABLES — NON-CURRENT**

	Note	<b>Group 2008 £'000</b>	<b>Company 2008 £'000</b>	Group 2007 £'000	Company 2007 £'000
Deferred cash consideration	27	—	—	114	114
		—	—	114	114

**20. DEFERRED TAXATION**

	2008 £'000	2007 £'000
<b>Deferred tax assets:</b>		
Deferred tax asset — US	12	—
Deferred tax asset — Japan	45	—
	<b>57</b>	—
<b>Deferred tax liabilities:</b>		
Deferred tax liability — UK	(73)	—
	<b>(73)</b>	—
Net deferred tax liabilities	<b>(16)</b>	—

The movements in deferred taxation during the current and previous years are as follows:

	2008 £'000	2007 £'000
At 1 September	—	—
Income statement charge	(73)	—
Income statement credit	51	—
Foreign exchange movement	6	—
At 31 August	<b>(16)</b>	—

Deferred taxation provided in the financial statements is as follows:

	2008 £'000	2007 £'000
Short term timing differences	(100)	—
Capital allowances in advance of depreciation	(21)	(5)
Tax losses carried forward	48	5
Income statement charge	<b>(73)</b>	—
	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Short term timing differences	51	—
Income statement credit	51	—

There is an unrecognised deferred tax asset on losses carried forward of £527,000 at 31 August 2008 (2007: £517,000). The potential deferred tax asset in respect of cumulative losses has not been recognised in these financial statements as the Directors believe that there is no immediate prospect of these being utilised.

The Company has no deferred taxation.

**> NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 August 2008

**21. SHARE CAPITAL**

	Authorised		Authorised	
	2008 Number	2008 £'000	2007 Number	2007 £'000
Ordinary shares of 1p each	400,000,000	4,000	400,000,000	4,000
	Allotted, called up and fully paid		Allotted, called up and fully paid	
	2008 Number	2008 £'000	2007 Number	2007 £'000
Ordinary shares of 1p each At 31 August	177,940,743	1,779	177,940,743	1,779

**Share options**

Options over ordinary shares of 1 pence each have been granted to Directors and employees under share option schemes. The Company has issued options as follows:

	Held at 1 September 2007 Number	Granted Number	Lapsed/Cancelled Number	Exercised Number	Held at 31 August 2008 Number	Granted since year end Number	At date of this report Number
Professor Sir C F George	225,000	—	—	—	225,000	—	225,000
Dr F M Armstrong	—	7,200,000	—	—	7,200,000	—	7,200,000
Mr C G G Smith	7,300,000	—	—	—	7,300,000	—	7,300,000
<b>Employees</b>							
— EMI (approved)	15,371,020	600,000	(1,373,755)	(40,563)	14,556,702	—	14,556,702
— approved scheme	444,444	—	—	—	444,444	—	444,444
— US approved	3,600,000	1,200,000	(800,000)	—	4,000,000	—	4,000,000
— unapproved scheme	7,536,379	535,252	—	(149,906)	7,921,725	—	7,921,725
ESOP	7,888,791	260,000	(30,000)	—	8,118,791	—	8,118,791
	42,365,634	9,795,252	(2,203,755)	(190,469)	49,766,662	—	49,766,662

Each of the Group's schemes above has standing vesting periods of three years. The details of the individual grants are set in Note 27.

The market price of the Company's shares at the end of the financial year was 2.75 pence and the range of market prices was between 2.50 pence and 3.75 pence during the year ended 31 August 2008.

The ESOP Trust was set up in June 2002 to benefit the employees of the Company. The Scheme is administered by Pinnacle Trustees Limited, an independent professional trust company resident in Jersey. The ESOP Trust provides for the issue of options to Fulcrum Pharma plc employees at the discretion of the trustee acting upon the recommendation of the Board.

Funding for the share purchases by the ESOP Trust was provided by a loan from the Company.

At 31 August 2008, the ESOP Trust held 4,397,014 ordinary shares (2007: 4,355,687) with a cost of £178,000 (2007: £179,000) and a market value of £121,000 (2007: £152,000). All costs relating to the Trust are dealt with in the profit and loss account as they accrue. The total costs charged to the profit and loss account for the year ended 31 August 2008 were £4,000 (2007: £4,000).

## 22. STATEMENT OF CHANGES IN EQUITY

## Group

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings			Total £'000
				Available-for- sale assets £'000	Translation £'000	Retained earnings £'000	
At 1 September 2006	1,285	4,547	(454)	—	—	(1,929)	3,449
Retained profit for year	—	—	—	—	—	141	141
Fair value gains on available for sale assets	—	—	—	104	—	—	104
Issue of ordinary shares	494	1,535	—	—	—	—	2,029
Options compensation charge	—	—	—	—	—	64	64
Sale/purchase of shares for ESOP Trust	—	—	—	—	—	(20)	(20)
Unrealised exchange loss on consolidation	—	—	—	—	12	—	12
<b>At 31 August 2007</b>	<b>1,779</b>	<b>6,082</b>	<b>(454)</b>	<b>104</b>	<b>12</b>	<b>(1,744)</b>	<b>5,779</b>
Retained profit for year	—	—	—	—	—	324	324
Fair value gains on available for sale assets	—	—	—	1	—	—	1
IFRS 2 charge	—	—	—	—	—	38	38
Sale/purchase of shares for ESOP Trust	—	—	—	—	—	1	1
Unrealised exchange loss on consolidation	—	—	—	—	53	—	53
<b>At 31 August 2008</b>	<b>1,779</b>	<b>6,082</b>	<b>(454)</b>	<b>105</b>	<b>65</b>	<b>(1,381)</b>	<b>6,196</b>

## > NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2008

### 23. FINANCIAL INSTRUMENTS

The financial risks faced by the Group include market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks.

The Group's main objectives in using financial instruments are the maximisation of returns from funds held on deposit and, when appropriate, the generation of additional cash resources for Group operations through financing arrangements for capital assets and through the issue of shares and other financing instruments. The main purpose of these financial instruments is to provide working capital for the Group's operations in the UK, Japan and US.

The Group's policy is to raise cash when it is required and when market conditions are appropriate, using those financial instruments that can be negotiated with the providers of finance at that time. These instruments include bank loans and finance leases.

#### Classification

Classification of the Group's financial instruments is given below:

	2008					
	Sterling £'000	Yen £'000	US Dollar £'000	Euro £'000	Swiss Franc £'000	Total £'000
<b>Financial assets</b>						
<b>Loans and receivables:</b>						
Cash and cash equivalents	951	597	1,252	103	—	2,903
Trade and other receivables	3,518	575	1,231	380	—	5,704
	<b>4,469</b>	<b>1,172</b>	<b>2,483</b>	<b>483</b>	<b>—</b>	<b>8,607</b>
<b>Available-for-sale:</b>						
Available-for-sale financial assets	—	100	—	—	278	378
	—	100	—	—	278	378
	<b>4,469</b>	<b>1,272</b>	<b>2,483</b>	<b>483</b>	<b>278</b>	<b>8,985</b>

	2008					Total £'000
	Sterling £'000	Yen £'000	US Dollar £'000	Euro £'000	Swiss Franc £'000	
<b>Financial liabilities</b>						
<b>Other financial liabilities:</b>						
Bank loans	750	180	—	—	—	930
Obligations under finance leases	—	6	—	—	—	6
Convertible loan notes	443	—	—	—	—	443
Trade and other payables	3,800	557	1,585	52	—	5,994
	<b>4,993</b>	<b>743</b>	<b>1,585</b>	<b>52</b>	<b>—</b>	<b>7,373</b>

	2007					Total £'000
	Sterling £'000	Yen £'000	US Dollar £'000	Euro £'000	Swiss Franc £'000	
<b>Financial assets</b>						
<b>Loans and receivables:</b>						
Cash and cash equivalents	1,191	107	941	195	—	2,434
Trade and other receivables	3,541	832	1,270	280	—	5,923
	<b>4,732</b>	<b>939</b>	<b>2,211</b>	<b>475</b>	<b>—</b>	<b>8,357</b>
<b>Available-for-sale:</b>						
Available-for-sale financial assets	—	297	—	—	277	574
	—	297	—	—	277	574
	<b>4,732</b>	<b>1,236</b>	<b>2,211</b>	<b>475</b>	<b>277</b>	<b>8,931</b>

## 23. FINANCIAL INSTRUMENTS (continued)

2007

	Sterling £'000	Yen £'000	US Dollar £'000	Euro £'000	Swiss Franc £'000	Total £'000
<b>Financial liabilities</b>						
<b>Other financial liabilities:</b>						
Bank overdrafts	217	—	—	—	—	217
Bank loans	938	193	—	—	—	1,131
Obligations under finance leases	—	16	—	—	—	16
Convertible loan notes	586	—	—	—	—	586
Trade and other payables	3,759	291	1,440	10	8	5,508
	5,500	500	1,440	10	8	7,458

A 10% weakening of sterling would result in a £176,000 increase in profits, while a 10% strengthening would have the opposite effect.

Classification of the Company's financial instruments is given below:

	2008 Sterling £'000	2007 Sterling £'000
<b>Financial assets</b>		
<b>Loans and receivables:</b>		
Cash and cash equivalents	500	641
Trade and other receivables	4,052	4,881
	4,552	5,522

	2008 Sterling £'000	2007 Sterling £'000
<b>Financial liabilities</b>		
<b>Other financial liabilities:</b>		
Bank loans	750	937
Convertible loan notes	443	586
Trade and other payables	680	476
	1,873	1,999

**Cash flow and fair value interest rate risk**

The Group finances its operations through a mixture of retained cash reserves, finance leases and bank loans. The policy of the Group is to monitor exposure to interest rate risk and take into account potential movements in interest rates when selecting methods of financing. However at present, the level of Group borrowings is low and the interest rate risk at present is not considered to be significant.

## > NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2008

### 23. FINANCIAL INSTRUMENTS (continued)

#### Interest rate profile of the Group's financial liabilities

	2008			2007		
	Floating		Total	Floating		Total
	Sterling £'000	Yen £'000	£'000	Sterling £'000	Yen £'000	£'000
Bank overdrafts	—	—	—	217	—	217
Bank loans	750	180	930	938	193	1,131
Obligations under finance leases	—	6	6	—	16	16
Loan notes	443	—	443	586	—	586
	<b>1,193</b>	<b>186</b>	<b>1,379</b>	1,741	209	1,950

#### Financial liabilities

The finance leases are at various variable rates of interest. The total of these liabilities outstanding at 31 August 2008 was £6,000 (2007: £16,000), with a weighted average outstanding period of 9 months (2007: 16 months) and a weighted average interest rate of 2.83% (2007: 2.74%). The bank loan facilities incurred interest at rates between 1.8% and 7.75% during the year. The total amount of bank loans outstanding at 31 August 2008 was £930,000 (2007: £1,133,000). The total amount of convertible loan notes outstanding at 31 August 2008 was £443,000 (2007: £586,000) which incurred interest charges of 2% above the base rate of National Westminster Bank plc.

The Company has estimated that £443,000 of convertible loan notes will be issued as deferred consideration for the acquisition of Unicus (see Note 26). The terms of the conversion are that the holder of the notes shall be entitled to convert the value of the notes into ordinary share capital of the Company on the basis that the issue of one ordinary share satisfies 6 pence of loan note indebtedness. There is interest payable on the convertible loan notes at the lower of 2% above the base rate of National Westminster Bank plc or 7.5%.

A 0.5% increase in LIBOR would reduce the Group's profit by £7,000 and the Company's profit by £6,000 in 2008. A 0.5% decrease would have the opposite effect.

The maturity profile of the Group's non-current liabilities at 31 August 2008 was as follows:

	2008				2007			
	Loans £'000	Finance leases £'000	Convertible loan notes	Total £'000	Loans £'000	Finance leases £'000	Convertible loan notes	Total £'000
One to two years	8	1	295	304	18	4	—	22
Two to five years	590	—	—	590	93	1	136	230
	<b>598</b>	<b>1</b>	<b>295</b>	<b>866</b>	111	5	136	252

The maturity profile of the Company's non-current liabilities at 31 August 2008 was as follows:

	2008				2007			
	Loans £'000	Finance leases £'000	Convertible loan notes	Total £'000	Loans £'000	Finance leases £'000	Convertible loan notes	Total £'000
One to two years	—	—	295	295	—	—	—	—
Two to five years	500	—	—	500	—	—	136	136
	<b>500</b>	<b>—</b>	<b>295</b>	<b>795</b>	—	—	136	136

#### Borrowing facilities

The Group had unused borrowing facilities of £nil at 31 August 2008 (2007: £15,000).

### 23. FINANCIAL INSTRUMENTS (continued)

#### Interest rate profile of the Group's financial assets

The Group's cash at bank and in hand and short-term investments at 31 August 2008 comprised:

	2008				
	Sterling £'000	Yen £'000	US Dollar £'000	Euro £'000	Total £'000
Short-term deposits	500	—	—	—	500
Cash at bank and in hand	451	597	1,252	103	2,403
	<b>951</b>	<b>597</b>	<b>1,252</b>	<b>103</b>	<b>2,903</b>

	2007				
	Sterling £'000	Yen £'000	US Dollar £'000	Euro £'000	Total £'000
Short-term deposits	500	—	—	—	500
Cash at bank and in hand	691	107	941	195	1,934
	<b>1,191</b>	<b>107</b>	<b>941</b>	<b>195</b>	<b>2,434</b>

The Group maintains sterling, euro, US dollar and yen accounts in which all cash and bank balances are held. The Company maintains sterling accounts only. Cash and bank balances represent floating rate cash held in current accounts and deposit accounts with banks at interest rates based on interbank rates. Short-term deposits represent fixed rate deposits placed with major clearing banks for up to three months earning interest at rates of 4.75% — 5.37% (2007: 1.60% — 5.12%).

#### Currency risk profile

The Group's functional currency is sterling, and the majority of its transactions are denominated in that currency. The Group operates in US dollars, yen and euros. The Group also has overseas subsidiaries where the US subsidiary's functional currency is US dollars and the Japanese subsidiaries' functional currency is yen. The Group's currency exposures, comprising foreign currency bank accounts at 31 August 2007, are shown below:

	2008			
	Yen £'000	US dollar £'000	Euro £'000	Total £'000
<b>Foreign currency monetary (liabilities)/assets</b>				
Sterling	<b>411</b>	<b>1,252</b>	<b>103</b>	<b>1,766</b>

	2007			
	Yen £'000	US dollar £'000	Euro £'000	Total £'000
<b>Foreign currency monetary assets/(liabilities)</b>				
Sterling	(86)	941	195	1,050

The Company has no financial assets or liabilities denominated in foreign currencies.

#### Liquidity risk

The Board monitors the level of cash and liquid resources on a regular basis and manages it on a daily basis, to ensure that the Group has sufficient liquid funds to enable it to continue as a going concern. This is achieved through the production and review of cash forecasts.

#### Credit risk

The Group's credit risk arises from credit exposure to clients and Group companies and also with banks with which cash is held.

The Group has a strict credit control process. As the majority of the Group's clients are large companies with whom the Group has long standing relationships, the risk of default is considered to be low and write offs due to bad debts are extremely low.

The Board consider the risk of default of Group debtors to be negligible.

The Board ensures that deposits are only placed with banks which have a minimum credit rating of AA (Standard and Poor's rating).

## > NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2008

### 23. FINANCIAL INSTRUMENTS (continued)

#### Capital risk management

The Board's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

#### Fair values

There is no material difference between the fair value and the carrying value of the Group's and Company's financial assets and liabilities at 31 August 2008.

### 24. COMMITMENTS UNDER OPERATING LEASES TO PAY RENTALS

	2008 Land and Buildings £'000	2008 Other £'000	2007 Land and buildings £'000	2007 Other £'000
Operating leases which expire:				
In one year or less	42	5	27	—
In two to five years inclusive	383	2	470	—
	<b>425</b>	<b>7</b>	497	—

### 25. PENSIONS

The Company makes contributions to individual personal pension plans. The total charge for the year was £528,000 (2007: £466,000). There are unpaid contributions outstanding at the year end of £10,000 (2007: £3,000).

### 26. ACQUISITIONS

On 19 March 2007 the Company acquired the entire issued share capital of Unicus for an initial consideration of £2.3 million in cash, of which £159,000 was refunded by the vendor pursuant to the sale and purchase agreement, and further consideration of £200,000 which was paid in employee benefits. Deferred consideration of £815,000 based on the turnover of Unicus during the year ended 31 July 2008 is payable and had been estimated at £250,000 in the financial statements as at 31 August 2007. The deferred consideration will be payable in cash and convertible loan notes. The convertible loan notes are repayable in three equal instalments within the period 1 May 2009 to 1 May 2010. The terms of the conversion are stated in Note 23.

### 27. SHARE-BASED PAYMENTS

The Group operates various share option schemes including an Employee Share Ownership Plan under which options are exercisable at a price equal to middle market quotation from the Daily Official List of the London Stock Exchange for the trading day immediately preceding the date of grant. The various schemes allow for granting of share options up to 15% of the issued ordinary share capital except for the grant of options over a maximum of 20,000,000 shares to Directors and senior employees which was approved at the Company's Extraordinary General Meeting on 12th April 2007. Grants are normally made within 42 days following the announcement of final or interim results of the company. No payment is required for the grant of the share option. Performance criteria only apply to the grant of the maximum of 20,000,000 shares approved on 12th April 2007. The usual minimum vesting period is three years but options can vest earlier in certain circumstances such as staff incentive arrangements in newly acquired subsidiaries, or events of redundancy or death.

**27. SHARE-BASED PAYMENTS (continued)****IFRS 2**

Details of the share options outstanding during the year that were issued after the 7th November 2002 by the Group are as follows:

	2008	Weighted average exercise price Pence	2007 Number	Weighted average exercise price Pence
Outstanding at 1 September	<b>39,684,811</b>	<b>5.31p</b>	20,330,052	4.08p
Granted during the year	<b>9,795,252</b>	<b>6.77p</b>	23,884,635	6.85p
Lapsed	<b>(2,203,755)</b>	<b>3.01p</b>	(3,348,057)	3.97p
Exercised	<b>(190,469)</b>	<b>1.00p</b>	(1,181,819)	1.00p
Outstanding at 31 August	<b>47,085,839</b>	<b>6.20p</b>	39,684,811	5.85p
Exercisable at 31 August	<b>10,427,812</b>	<b>3.98p</b>	7,358,541	5.31p

The options outstanding at the end of the year have a weighted contractual life of 7.94 years (2007: 8.91 years) and have a range of exercise prices from 1p to 12p. The options charge for the year is disclosed in note 6. The estimated fair values of options granted since 7 November 2002 were calculated using the Black-Scholes option pricing model with the following inputs and subsequent assumptions:

Grant date	1 Sep 2004	16 Aug 2004	1 Sep 2004	20 May 2005	1 Nov 2005	8 Feb 2006
Share price at grant date	7.00p	5.00p	6.00p	4.00p	3.75p	3.75p
Exercise price	7.00p	5.00p	6.00p	4.00p	3.75p	1.00p
Number of employees	18	30	2	3	6	4
Shares under option	1,550,000	6,495,689	350,000	375,000	1,350,000	1,818,183
Vesting period (years)	3	3	3	3	3	0
Expected volatility	68%	61%	62%	61%	56%	51%
Option life (years)	7	7	7	7	7	9
Expected life (years)	3	3	3	3	3	1
Risk free rates	4.81%	5.05%	5.00%	4.34%	4.64%	4.15%
Expected dividends	—	—	—	—	—	—
Possibility of ceasing employment before vesting	30%	30%	30%	30%	30%	30%
Expectations of meeting performance criteria	—	—	—	—	—	—
Fair value per option	3.38p	2.25p	2.71p	1.77p	1.52p	2.79p
Grant date	8 Feb 2006	9 Feb 2006	9 May 2006	12 Jun 2006	1 Sep 2006	13 Nov 2006
Share price at grant date	3.75p	3.75p	4.00p	3.875p	4.00p	3.75p
Exercise price	1.00p	3.75p	4.00p	3.875p	4.00p	3.75p
Number of employees	4	3	10	4	22	30
Shares under option	1,818,180	2,000,000	1,558,000	500,000	1,290,000	2,510,000
Vesting period (years)	2	3	3	3	3	3
Expected volatility	52%	57%	52%	51%	46%	47%
Option life (years)	8	7	7	7	7	7
Expected life (years)	2	3	3	3	3	3
Risk free rates	4.18%	4.21%	4.76%	4.59%	4.64%	4.42%
Expected dividends	—	—	—	—	—	—
Possibility of ceasing employment before vesting	30%	30%	30%	30%	30%	30%
Expectations of meeting performance criteria	—	—	—	—	—	—
Fair value per option	2.84p	1.67p	1.59p	1.49p	1.16p	1.35p

**> NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 August 2008

**27. SHARE-BASED PAYMENTS (continued)**

Grant date	23 May 2007	23 May 2007	23 May 2007	22 Jun 2007	22 Jun 2007	22 Jun 2007
Share price at grant date	4.00p	4.00p	4.00p	4.00p	4.00p	4.00p
Exercise price	1.00p	1.00p	4.00p	6.00p	6.00p	12.00p
Number of employees	35	35	5	4	4	4
Shares under option	2,062,318	2,062,317	1,050,000	4,050,000	4,050,000	8,100,000
Vesting period (years)	1	2	3	2	3	3
Expected volatility	37%	40%	47%	41%	48%	48%
Option life (years)	9	8	7	8	7	7
Expected life (years)	1	2	3	2	3	3
Risk free rates	5.67%	5.62%	5.55%	5.77%	5.75%	5.75%
Expected dividends	—	—	—	—	—	—
Possibility of ceasing employment before vesting	30%	30%	30%	30%	30%	30%
Expectations of meeting performance criteria	—	—	—	100%	100%	100%
Fair value per option	3.06p	3.11p	1.51p	0.51p	1.00p	0.34p

Grant date	30 Nov 2007	28 May 2008	28 May 2008	28 May 2008	28 May 2008
Share price at grant date	3.375p	3.50p	3.50p	3.50p	3.50p
Exercise price	3.375p	3.50p	6.00p	6.00p	12.00p
Number of employees	14	12	1	1	1
Shares under option	1,340,000	1,920,000	1,500,000	1,500,000	3,000,000
Vesting period (years)	3	3	2	3	3
Expected volatility	45%	41%	41%	41%	41%
Option life (years)	7	7	8	7	7
Expected life (years)	3	3	2	3	3
Risk free rates	4.64%	4.64%	4.64%	4.64%	4.64%
Expected dividends	—	—	—	—	—
Possibility of ceasing employment before vesting	30%	30%	30%	30%	30%
Expectations of meeting performance criteria	—	—	100%	100%	100%
Fair value per option	1.19p	1.16p	0.32p	0.53p	0.11p

Share options granted prior to 7 November 2002

The movement in share options granted prior to 7 November 2002 is as follows:-

Subscription Price per Share	Number or shares 1 September 2007	Exercised/ Lapsed	Number of shares 31 August 2008	Periods within which exercisable
3.00p	300,000	—	300,000	31 Aug 2001 — 7 March 2010
3.00p	100,000	—	100,000	7 March 2003 — 7 March 2010
6.75p	2,280,823	—	2,280,823	4 July 2003 — 4 July 2010
	2,680,823	—	2,680,823	

There are no performance criteria in relation to the share options at subscription prices of 3.00p and the performance criteria of the share options at 6.75p have been met in the year ended 31 August 2001.

## 28. RELATED PARTY TRANSACTIONS

### Key management

The Directors are of the opinion that the key management of the Group consists of the Directors and senior managers. The costs of employment of the key management were:

	2008 £'000	2007 £'000
Salaries and other short term employee benefits	1,015	954
Post-employment benefits	69	49
Share based payments	51	34
Termination benefits	53	—
	<b>1,188</b>	1,037

The remuneration of the senior managers for the year ended 31 August 2008 was £589,000 (2007: £610,000). The remuneration of each senior manager during the period was as follows:

	2008				2007					
	Basic salary and fees £'000	Bonus £'000	Share based payment £'000	Pension contributions £'000	Total £'000	Basic salary and fees £'000	Bonus £'000	Share based payment £'000	Pension contributions £'000	Total £'000
<b>Senior managers:</b>										
Dr P Birch	125	4	12	18	159	112	40	6	10	168
Dr S Arbe-Barnes	125	5	11	12	153	114	5	5	10	134
Mr J Larus	36	—	—	1	37	—	—	—	—	—
Mr J Seman	20	—	—	—	20	105	—	—	—	105
Mr T Okuda	99	14	8	—	121	98	5	3	—	106
Mr K Fujimaru	92	5	2	—	99	89	5	3	—	97
	<b>497</b>	<b>28</b>	<b>33</b>	<b>31</b>	589	518	55	17	20	610

### Intercompany transactions

During the year, the Company entered into transactions in the ordinary course of business with other related parties as follows:

	2008 £'000	2007 £'000
<b>Transactions during the year with subsidiary undertakings:</b>		
Costs recharged by subsidiary undertakings	755	452
<b>Balance at 31 August with subsidiary undertakings:</b>		
Amounts due from subsidiary undertakings	3,999	4,660
Amounts due to subsidiary undertakings	(9)	(20)
Loans made to Employee Share Option Trust	178	180

During the year, the Group made a loan of £17,500 (2007: £20,000) to the Fulcrum Pharma Plc Employee Share Option Trust to acquire shares in the Company to satisfy grants made under the share option plan. In addition, the group received £19,000 (2007: Nil) in repayment of this loan during the year.

## > NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2008

### 29. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### *Transitional arrangements*

Under the provisions of IFRS 1 "First time Adoption of IFRS" specific exemptions may be applied in certain areas as part of the transition of the financial statements to IFRS. The Group has elected to apply the following exemptions:

- **IFRS 3 "Business Combinations"**

IFRS 3 has been adopted from the transition date and is only being applied to acquisitions made on or after 1 September 2006.

IFRS also requires goodwill to be carried at cost with impairment reviews carried out at least annually. The Group has applied the standard from the transition date and so the net carrying value of goodwill at 31 August 2006 has been brought forward as the cost at 1 September 2006, with no amortisation charge from that date.

- **IAS 21 "The Effects of Changes in Foreign Exchange Rates"**

Under IAS 21 cumulative translation differences arising on the consolidation of overseas subsidiaries are being accumulated for each individual subsidiary from the date of transition to IFRS and not from the original acquisition date.

#### *IAS 17 "Leases"*

IAS 17 requires companies to make an adjustment with respect to 'Rent Free' periods. Under UK GAAP, lease inducements such as rent free periods are apportioned over the lease term until the first break point of the lease; under IFRS, the inducement is spread over the full term of the lease.

#### *IAS 19 "Employee Benefits"*

IAS 19 requires companies to make an accrual for holiday pay.

#### *IAS 38 "Intangible assets"*

Under UK GAAP, goodwill is amortised over its expected useful life. IAS 38 does not permit amortisation and instead is reviewed annually for impairment.

#### *IAS 39 "Financial asset available for sale"*

Under UK GAAP, financial assets are carried at historic cost. Under IAS 39, the asset is "marked to market" and shown on the balance sheet at the current market value and using the current foreign exchange rate. Movements in market value are recorded in equity unless there is an impairment, in which case the cumulative loss is reported in the income statement.

#### *IFRS 3 "Business Combinations"*

IFRS 3 deals with accounting for business combinations including goodwill and intangible assets.

Under UK GAAP, the Group adopted FRS 10 "Goodwill and intangible assets" from March 2000 and goodwill arising on acquisitions after this date was capitalised and amortised over its useful economic life, which was presumed to be ten years. Goodwill arising before this date was eliminated against reserves. In addition, the Group tested for impairment when there was an indication that the carrying value of an asset might be impaired.

Under IFRS 3 this policy has been replaced by impairment tests performed annually or whenever there is an indication that the carrying value of an asset might be impaired. Goodwill amortisation has also ceased.

At the transition date, the Group had goodwill assets with a net book value of £1,216,000, which under the transitional arrangements laid out in IFRS 1 was deemed to be the costs carried forward for these assets from that date.

Although the Group has adopted IFRS 3 from the transition date, 1 September 2006, the Group completed the acquisition of Unicus Regulatory Services Limited on 19 March 2007. The accounting treatment of this acquisition has therefore been reviewed in accordance with the requirements of IFRS 3. As a result of this review, intangible assets have been separately identified, and goodwill has been reduced by the corresponding net amount. The newly identified intangible assets are being amortised over one to six years.

#### *Revenue reclassification*

Historically, pass through sales have been included within revenue under UK GAAP. To reflect the underlying contractual arrangements and to give a more accurate reflection of the actual trading, these zero-margin pass through sales have been eliminated in the IFRS financial statements.

The transition from UK GAAP to IFRS does not change the cash flows of the Group nor does it impact Group strategy or commercial decisions.

## 29. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

## Reconciliation of the consolidated income statement for the period ended 31 August 2008 from UK GAAP to IFRS

	Reformatted UK GAAP £'000	Revenue Reclassification £'000	IAS 17 Leases £'000	IAS 19 Employee benefits £'000	IAS 38 Intangible assets £'000	IAS 39 Financial asset available for sale £'000	IFRS 3 Business Combinations £'000	Year ended 31 August 2008 As restated in accordance with IFRS £'000
Revenue	22,953	(8,127)	—	—	—	—	—	14,826
Cost of sales	(16,053)	8,127	—	(40)	—	—	—	(7,966)
<b>Gross profit</b>	<b>6,900</b>	—	—	<b>(40)</b>	—	—	—	<b>6,860</b>
Selling expenses	(757)	—	—	—	—	—	—	(757)
Administrative expenses	(5,234)	—	(2)	(10)	—	—	—	(5,246)
Amortisation of intangible assets	(461)	—	—	—	461	—	(191)	(191)
<b>Operating profit</b>	<b>448</b>	—	<b>(2)</b>	<b>(50)</b>	<b>461</b>	—	<b>(191)</b>	<b>666</b>
Finance income	69	—	—	—	—	—	—	69
Finance costs	(184)	—	—	—	—	(97)	—	(281)
<b>Profit on ordinary activities before taxation</b>	<b>333</b>	—	<b>(2)</b>	<b>(50)</b>	<b>461</b>	<b>(97)</b>	<b>(191)</b>	<b>454</b>
Income tax expense	(171)	—	—	41	—	—	—	(130)
<b>Profit for the year</b>	<b>162</b>	—	<b>(2)</b>	<b>(9)</b>	<b>461</b>	<b>(97)</b>	<b>(191)</b>	<b>324</b>
<b>Earnings per share (pence)</b>								
Basic	0.09	—	—	(0.01)	0.27	(0.06)	(0.10)	0.19
Diluted	0.09	—	—	(0.01)	0.26	(0.06)	(0.10)	0.18

**> NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 August 2008

**29. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)****Reconciliation of the consolidated balance sheet as at 31 August 2008 from UK GAAP to IFRS**

		IAS 17	IAS 19	IAS 38	IAS 39	IFRS 3	31 August 2008
	Reformatted UK GAAP £'000	Leases £'000	Employee benefits £'000	Intangible assets £'000	Financial asset available for sale £'000	Business Combinations £'000	As restated in accordance with IFRS £'000
<b>Assets</b>							
<b>Non current assets</b>							
Goodwill	3,553	—	—	722	—	(611)	3,664
Intangible assets	—	—	—	—	—	309	309
Property, plant and equipment	627	—	—	—	—	—	627
Available-for-sale financial assets	370	—	—	—	8	—	378
Deferred tax assets	12	—	45	—	—	—	57
	<b>4,562</b>	<b>—</b>	<b>45</b>	<b>722</b>	<b>8</b>	<b>(302)</b>	<b>5,035</b>
<b>Current assets</b>							
Trade and other receivables	5,704	—	—	—	—	—	5,704
Short-term investments	500	—	—	—	—	—	500
Cash and cash equivalents	2,403	—	—	—	—	—	2,403
	<b>8,607</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>8,607</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Trade and other payables	(5,293)	(13)	(214)	—	—	—	(5,520)
Current income tax liabilities	(102)	—	—	—	—	—	(102)
Bank and other borrowings	(337)	—	—	—	—	—	(337)
Convertible loan notes	(148)	—	—	—	—	—	(148)
Deferred cash consideration	(372)	—	—	—	—	—	(372)
	<b>(6,252)</b>	<b>(13)</b>	<b>(214)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(6,479)</b>
<b>Net current assets</b>	<b>2,355</b>	<b>(13)</b>	<b>(214)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,128</b>
<b>Non current liabilities</b>							
Bank loans and other borrowings	(599)	—	—	—	—	—	(599)
Convertible loan notes	(295)	—	—	—	—	—	(295)
Deferred tax liabilities	(73)	—	—	—	—	—	(73)
	<b>(967)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(967)</b>
<b>Net assets</b>	<b>5,950</b>	<b>(13)</b>	<b>(169)</b>	<b>722</b>	<b>8</b>	<b>(302)</b>	<b>6,196</b>
<b>Equity</b>							
Share capital	1,779	—	—	—	—	—	1,779
Share premium account	6,082	—	—	—	—	—	6,082
Merger reserve	(454)	—	—	—	—	—	(454)
Retained earnings	(1,457)	(13)	(169)	722	8	(302)	(1,211)
<b>Total equity</b>	<b>5,950</b>	<b>(13)</b>	<b>(169)</b>	<b>722</b>	<b>8</b>	<b>(302)</b>	<b>6,196</b>

## 29. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

## Reconciliation of the consolidated income statement for the period ended 31 August 2007 from UK GAAP to IFRS

	UK GAAP as previously reported £'000	IFRS Reclassifica- tion £'000	IAS 17 Leases £'000	IAS 19 Employee benefits £'000	IAS 38 Intangible assets £'000	IAS 39 Financial asset available for sale £'000	IFRS 3 Business Combinations £'000	Year ended 31 August 2007 As restated in accordance with IFRS £'000
Revenue	19,237	(7,734)	—	—	—	—	—	11,503
Cost of sales	(14,510)	7,734	—	(29)	—	—	—	(6,805)
<b>Gross profit</b>	<b>4,727</b>	<b>—</b>	<b>—</b>	<b>(29)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,698</b>
Selling expenses	(504)	—	—	—	—	—	—	(504)
Administrative expenses	(3,980)	—	(4)	(8)	—	—	—	(3,992)
Amortisation of intangible assets	(261)	—	—	—	261	—	(111)	(111)
Other operating income	95	—	—	—	—	—	—	95
<b>Operating profit</b>	<b>77</b>	<b>—</b>	<b>(4)</b>	<b>(37)</b>	<b>261</b>	<b>—</b>	<b>(111)</b>	<b>186</b>
Finance income	42	—	—	—	—	—	—	42
Finance costs	(77)	—	—	—	—	—	—	(77)
<b>Profit on ordinary activities before taxation</b>	<b>42</b>	<b>—</b>	<b>(4)</b>	<b>(37)</b>	<b>261</b>	<b>—</b>	<b>(111)</b>	<b>151</b>
Income tax expense	(10)	—	—	—	—	—	—	(10)
<b>Profit for the year</b>	<b>32</b>	<b>—</b>	<b>(4)</b>	<b>(37)</b>	<b>261</b>	<b>—</b>	<b>(111)</b>	<b>141</b>
<b>Earnings per share (pence)</b>								
Basic	0.02	—	—	(0.03)	0.18	—	(0.08)	0.10
Diluted	0.02	—	—	(0.03)	0.17	—	(0.07)	0.09

## &gt; NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2008

## 29. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

## Reconciliation of the consolidated balance sheet as at 31 August 2007 from UK GAAP to IFRS

	Reformatted UK GAAP as previously reported £'000	IAS 17 Leases £'000	IAS 19 Employee benefits £'000	IAS 38 Intangible assets £'000	IAS 39 Financial asset available for sale £'000	IFRS 3 Business Combinations £'000	31 August 2007 As restated in accordance with IFRS £'000
<b>Assets</b>							
<b>Non current assets</b>							
Goodwill	3,441	—	—	261	—	(611)	3,091
Intangible assets	—	—	—	—	—	500	500
Property, plant and equipment	715	—	—	—	—	—	715
Available-for-sale financial assets	469	—	—	—	105	—	574
	<b>4,625</b>	<b>—</b>	<b>—</b>	<b>261</b>	<b>105</b>	<b>(111)</b>	<b>4,880</b>
<b>Current assets</b>							
Trade and other receivables	5,923	—	—	—	—	—	5,923
Short-term investments	500	—	—	—	—	—	500
Cash and cash equivalents	1,934	—	—	—	—	—	1,934
	<b>8,357</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>8,357</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Trade and other payables	(5,206)	(11)	(146)	—	—	—	(5,363)
Current income tax liabilities	(31)	—	—	—	—	—	(31)
Bank overdrafts	(217)	—	—	—	—	—	(217)
Bank and other borrowings	(1,031)	—	—	—	—	—	(1,031)
Convertible loan notes	(450)	—	—	—	—	—	(450)
Deferred cash consideration	—	—	—	—	—	—	—
	<b>(6,935)</b>	<b>(11)</b>	<b>(146)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(7,092)</b>
<b>Net current assets</b>	<b>1,422</b>	<b>(11)</b>	<b>(146)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,265</b>
<b>Non current liabilities</b>							
Bank loans and other borrowings	(116)	—	—	—	—	—	(116)
Convertible loan notes	(136)	—	—	—	—	—	(136)
Deferred cash consideration	(114)	—	—	—	—	—	(114)
	<b>(366)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(366)</b>
<b>Net assets</b>	<b>5,681</b>	<b>(11)</b>	<b>(146)</b>	<b>261</b>	<b>105</b>	<b>(111)</b>	<b>5,779</b>
<b>Equity</b>							
Share capital	1,779	—	—	—	—	—	1,779
Share premium account	6,082	—	—	—	—	—	6,082
Merger reserve	(454)	—	—	—	—	—	(454)
Retained earnings	(1,726)	(11)	(146)	261	105	(111)	(1,628)
<b>Total equity</b>	<b>5,681</b>	<b>(11)</b>	<b>(146)</b>	<b>261</b>	<b>105</b>	<b>(111)</b>	<b>5,779</b>

## 29. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

## Reconciliation of the consolidated balance sheet as at 1 September 2006 from UK GAAP to IFRS

	Reformatted UK GAAP as previously reported £'000	IAS 17 Leases £'000	IAS 19 Employee benefits £'000	IAS 38 Intangible assets £'000	IAS 39 Financial asset available for sale £'000	IFRS 3 Business Combinations £'000	1 September 2006 As restated in accordance with IFRS £'000
<b>Assets</b>							
<b>Non current assets</b>							
Goodwill	1,216	—	—	—	—	—	1,216
Intangible assets	—	—	—	—	—	—	—
Property, plant and equipment	552	—	—	—	—	—	552
Available-for-sale financial assets	469	—	—	—	—	—	469
	<b>2,237</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,237</b>
<b>Current assets</b>							
Trade and other receivables	3,657	—	—	—	—	—	3,657
Short-term investments	524	—	—	—	—	—	524
Cash and cash equivalents	1,571	—	—	—	—	—	1,571
	<b>5,752</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,752</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Trade and other payables	(3,025)	(7)	(114)	—	—	—	(3,146)
Current income tax liabilities	(77)	—	—	—	—	—	(77)
Bank and other borrowings	(82)	—	—	—	—	—	(82)
Convertible loan notes	(690)	—	—	—	—	—	(690)
Deferred cash consideration	—	—	—	—	—	—	—
	<b>(3,874)</b>	<b>(7)</b>	<b>(114)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(3,995)</b>
<b>Net current assets</b>	<b>1,878</b>	<b>(7)</b>	<b>(114)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,757</b>
<b>Non current liabilities</b>							
Bank loans and other borrowings	(145)	—	—	—	—	—	(145)
Convertible loan notes	(400)	—	—	—	—	—	(400)
	<b>(545)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(545)</b>
<b>Net assets</b>	<b>3,570</b>	<b>(7)</b>	<b>(114)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,449</b>
<b>Equity</b>							
Share capital	1,285	—	—	—	—	—	1,285
Share premium account	4,547	—	—	—	—	—	4,547
Merger reserve	(454)	—	—	—	—	—	(454)
Retained earnings	(1,808)	(7)	(114)	—	—	—	(1,929)
<b>Total equity</b>	<b>3,570</b>	<b>(7)</b>	<b>(114)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,449</b>

**> NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 August 2008

**29. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)****Reconciliation of the Company balance sheet as at 31 August 2008 from UK GAAP to IFRS**

	Reformatted UK GAAP £'000	IAS 19 Employee benefits £'000	31 August 2008 As restated in accordance with IFRS £'000
<b>Assets</b>			
<b>Non current assets</b>			
Investment in subsidiaries	5,531	—	5,531
	<b>5,531</b>	<b>—</b>	<b>5,531</b>
<b>Current assets</b>			
Trade and other receivables	4,052	—	4,052
Cash and cash equivalents	500	—	500
	<b>4,552</b>	<b>—</b>	<b>4,552</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(293)	(15)	(308)
Bank and other borrowings	(250)	—	(250)
Convertible loan notes	(148)	—	(148)
Deferred cash consideration	(372)	—	(372)
Current tax liabilities	—	—	—
	<b>(1,063)</b>	<b>(15)</b>	<b>(1,078)</b>
<b>Net current assets</b>	<b>3,489</b>	<b>(15)</b>	<b>3,474</b>
<b>Non current liabilities</b>			
Bank loans and other borrowings	(500)	—	(500)
Convertible loan notes	(295)	—	(295)
Deferred cash consideration	—	—	—
	<b>(795)</b>	<b>—</b>	<b>(795)</b>
<b>Net assets</b>	<b>8,225</b>	<b>(15)</b>	<b>8,210</b>
<b>Equity</b>			
Share capital	1,779	—	1,779
Share premium account	6,082	—	6,082
Profit and loss account	364	(15)	349
<b>Total equity</b>	<b>8,225</b>	<b>(15)</b>	<b>8,210</b>

## 29. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

## Reconciliation of the Company balance sheet as at 31 August 2007 from UK GAAP to IFRS

	Reformatted UK GAAP as previously reported £'000	IAS 19 Employee benefits £'000	31 August 2007 As restated in accordance with IFRS £'000
<b>Assets</b>			
<b>Non current assets</b>			
Investment in subsidiaries	4,932	—	4,932
	<b>4,932</b>	<b>—</b>	<b>4,932</b>
<b>Current assets</b>			
Trade and other receivables	4,881	—	4,881
Cash and cash equivalents	641	—	641
	<b>5,522</b>	<b>—</b>	<b>5,522</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(348)	(14)	(362)
Bank and other borrowings	(937)	—	(937)
Convertible loan notes	(450)	—	(450)
Deferred cash consideration	—	—	—
Current tax liabilities	(1)	—	(1)
	<b>(1,736)</b>	<b>(14)</b>	<b>(1,750)</b>
<b>Net current assets</b>	<b>3,786</b>	<b>(14)</b>	<b>3,772</b>
<b>Non current liabilities</b>			
Bank loans and other borrowings	—	—	—
Convertible loan notes	(136)	—	(136)
Deferred cash consideration	(114)	—	(114)
	<b>(250)</b>	<b>—</b>	<b>(250)</b>
<b>Net assets</b>	<b>8,468</b>	<b>(14)</b>	<b>8,454</b>
<b>Equity</b>			
Share capital	1,779	—	1,779
Share premium account	6,082	—	6,082
Profit and loss account	607	(14)	593
<b>Total equity</b>	<b>8,468</b>	<b>(14)</b>	<b>8,454</b>

**> NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 August 2008

**29. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)****Reconciliation of the Company balance sheet as at 1 September 2006 from UK GAAP to IFRS**

	Reformatted UK GAAP as previously reported £'000	IAS 19 Employee benefits £'000	1 September 2006 As restated in accordance with IFRS £'000
<b>Assets</b>			
<b>Non current assets</b>			
Investment in subsidiaries	2,119	—	2,119
	<b>2,119</b>	<b>—</b>	<b>2,119</b>
<b>Current assets</b>			
Trade and other receivables	4,620	—	4,620
Cash and cash equivalents	526	—	526
	<b>5,146</b>	<b>—</b>	<b>5,146</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(227)	(10)	(237)
Bank and other borrowings	—	—	—
Convertible loan notes	(690)	—	(690)
Deferred cash consideration	—	—	—
Current tax liabilities	—	—	—
	<b>(917)</b>	<b>(10)</b>	<b>(927)</b>
<b>Net current assets</b>	<b>4,229</b>	<b>(10)</b>	<b>4,239</b>
<b>Non current liabilities</b>			
Bank loans and other borrowings	—	—	—
Convertible loan notes	(400)	—	(400)
Deferred cash consideration	—	—	—
	<b>(400)</b>	<b>—</b>	<b>(400)</b>
<b>Net assets</b>	<b>5,948</b>	<b>(10)</b>	<b>5,938</b>
<b>Equity</b>			
Share capital	1,285	—	1,285
Share premium account	4,547	—	4,547
Profit and loss account	116	(10)	106
<b>Total equity</b>	<b>5,948</b>	<b>(10)</b>	<b>5,938</b>

## > NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Seymour Pierce Limited at 20 Old Bailey, London, EC4M 7EN at 12.00pm on 22 December 2008 for the following purposes:

### Ordinary business

1. To receive the Company's annual financial statements for the year ended 31 August 2008, the Directors' report and the Auditors' report on those financial statements.
2. To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to fix their remuneration.
3. To re-elect as a Director Dr M G Carter who is retiring by rotation.
4. To re-elect as a Director Dr F M Armstrong who was appointed a Director of the Company during the period.
5. To re-elect as a Director Mr G D Cook who was appointed a Director of the Company during the period.
6. To re-elect as a Director Mr F C Condella who was appointed a Director of the Company during the period.
7. To re-elect as a Director Mr K L Lacey who was appointed a Director of the Company during the period.
8. To consider, and if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

"THAT, in substitution for all existing authorities, the Directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £593,136 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) 15 months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever first occurs save that the Company may before the expiry of the authority granted by this resolution make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Directors may allot relevant securities in pursuance of that offer or agreement."

### Special business

9. To consider, and if thought fit, the following resolution which will be proposed as a special resolution:

"THAT, in substitution for all existing authorities and subject to the passing of resolution 6, the Directors be generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) pursuant to the authority conferred by resolution 6 as if section 89(1) of the Act did not apply to the allotment. This power:

- (A) expires 15 months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever first occurs, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority and the Directors may allot equity securities in pursuance of that offer or agreement; and
- (B) is limited to:
  - i. allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company made in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the Directors having a right to make such exclusions or other arrangements
    - (a) to deal with equity securities representing fractional entitlements; and
    - (b) to deal with legal or practical problems under the laws of any territory, or the requirements of a regulatory body; and
  - ii. allotments of equity securities for cash otherwise than pursuant to paragraph (i) above up to an aggregate nominal amount of £444,852."

By order of the Board:

**Lesley Wotherspoon**  
**Company Secretary**

*Registered office: Hemel One, Boundary Way, Hemel Hempstead, Hertfordshire HP2 7YU*  
 26 November 2008

## > NOTICE OF ANNUAL GENERAL MEETING (continued)

### Notes:

1. This notice is the formal notification to shareholders of the Company's Annual General Meeting, its date, time and place and the matters to be considered. If you are in doubt as to what action to take, you should consult an independent adviser.
2. Pursuant to regulation 41 of the Uncertified Securities Regulations 2001, only those shareholders registered in the register of members of the Company as at 2.00pm on 19 December 2008 as holders of ordinary shares of 1 pence each in the capital of the Company shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 2.00pm on 19 December 2008 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
3. A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company. Proxy forms must be in the hands of the registrars at least 48 hours before the time fixed for the meeting.
4. Any change of address should be notified promptly to the registrars.
5. The following documents will be available at the registered office of the Company during usual business hours on each weekday (Saturdays and public holidays excepted), from the date of this notice until the date of the meeting and for at least 15 minutes prior to the meeting and during the meeting:
  - (i) the register of Directors' interests; and
  - (ii) copies of Directors' service contracts with the Company and with any of its subsidiary undertakings.

### Explanations of resolutions

#### **Resolution 1 – Financial statements**

The Directors of the Company are obliged to present to shareholders the report of the Directors and the audited financial statements for the Company for the year ended 31 August 2008. That report and those financial statements, and the report of the Company's auditors on those financial statements, are set out on pages 9 to 49 of this document.

#### **Resolution 2 – Re-appointment of auditors**

The Company is required to appoint auditors at each general meeting at which financial statements are laid, to hold office until the next general meeting. The present auditors, PricewaterhouseCoopers LLP are willing to continue in office for a further year and this resolution proposes their re-appointment and, in accordance with standard practice, authorises the Directors to determine the level of the auditors' remuneration.

#### **Resolution 3 – Re-election of a Director**

After the first Annual General Meeting at which all of the Directors retired from office, at every subsequent general meeting one third of the Directors for the time being (other than those appointed since the latest Annual General Meeting) are required to retire. If the number of relevant Directors is not a multiple of three, the number nearest to but not greater than one third of the Directors should be obliged to retire. Directors due to retire by rotation are those who have been longest in office since their last re-election and as between persons who become or were last re-elected on the same day those due to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director is eligible for re-election. Dr M G Carter who retires by rotation is offering himself for re-election.

#### **Resolutions 4, 5, 6 and 7 – Re-election of Directors**

A Director appointed to the Board as an additional Director holds office only until the next Annual General Meeting, when he must be re-appointed in order to remain in office. Dr F M Armstrong, Mr G D Cook, Mr F C Condella and Mr K L Lacey are retiring in accordance with the Company's Articles of Association and, being eligible, are offering themselves for re-election.

#### **Resolution 8 – Authority to allot**

This resolution grants the Directors authority to allot relevant securities up to an aggregate nominal amount of £593,136 being an amount equal to one third of the issued share capital of the Company. It is not the Directors' current intention to allot relevant securities pursuant to this resolution. This authority replaces the existing authority to allot relevant securities but does not affect the ability to allot shares under the share option schemes. This authority expires at the conclusion of the next Annual General Meeting of the Company or 15 months from the date of passing the resolution, whichever is the earlier.

#### **Resolution 9 – Disapplication of statutory pre-emption rights**

This resolution disapplies the statutory pre-emption rights which would otherwise apply on an issue of shares for cash pursuant to a rights issue where the securities attributable to the interests of all shareholders are proportionate (as nearly as may be) to the number of shares held and generally up to £444,852, being a sum equal to 25% of the issued share capital of the Company. This replaces the existing authority to disapply and expires at the conclusion of the next Annual General Meeting of the Company or 15 months from the date of passing the resolution, whichever is the earlier.

## FORM OF PROXY

I/We \_\_\_\_\_

of \_\_\_\_\_

a member/members of the above named Company, hereby appoint the Chairman of the Meeting

or \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the General Meeting of the Company

to be held at the offices of Seymour Pierce Limited at 20 Old Bailey, London, EC4M 7EN at 12.00pm on 22 December 2008 and at any adjournment thereof.

If you wish to instruct your proxy as to how to vote on your behalf please indicate by an "X" in the appropriate box below.

Ordinary resolutions	For	Against
1. To receive and consider the Directors' Report and Financial Statements for the year ended 31 August 2008 and the Auditors' Report thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Dr M G Carter as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Dr F M Armstrong as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Mr G D Cook as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Mr F C Condella as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint Mr K L Lacey as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
8. To pass an ordinary resolution to empower the Directors to allot shares in accordance with section 80 of the Companies Act 1985 up to a nominal value of £593,136	<input type="checkbox"/>	<input type="checkbox"/>
9. To pass a special resolution to disapply statutory pre-emption-rights.	<input type="checkbox"/>	<input type="checkbox"/>

Signed \_\_\_\_\_ Date \_\_\_\_\_

### Notes

- You may appoint a proxy of your own choice by deleting the words "Chairman of the meeting" and inserting the name and address of your proxy in the space provided.
- Unless otherwise instructed, a proxy may vote as he sees fit, or abstain from voting on any business (including amendments to resolutions) which may properly come before the meeting.
- If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
- In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated.
- To be valid, this form must be completed signed and lodged with the Company's Registrars, Capita Registrars, Proxy Department, PO BOX 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

Registered No. 3930927

First Fold

Second Fold

BUSINESS REPLY SERVICE  
NUMBER MB122



**Capita Registrars  
Proxy Department  
PO Box 25  
Beckenham  
Kent BR3 4BR**

Third Fold (Tuck-in)

First Fold

## DIRECTORS AND ADVISERS

### DIRECTORS

Dr F M Armstrong  
Mr C G G Smith  
Dr J A Devlin  
Sir C George  
Mr G Cook  
Dr J A Bell  
Dr M G Carter  
Mr F Condella  
Mr K Lacey

### SECRETARY AND REGISTERED OFFICE

Mrs L Wotherspoon  
Fulcrum Pharma PLC  
Hemel One  
Boundary Way  
Hemel Hempstead  
Hertfordshire  
HP2 7YW

### REGISTERED NUMBER

3930927

### REGISTERED AUDITORS

PricewaterhouseCoopers LLP  
10 Bricket Road  
St Albans  
Hertfordshire  
AL1 3JX

### NOMINATED ADVISER AND NOMINATED BROKER

Seymour Pierce Limited  
20 Old Bailey  
London  
EC4M 7EN

### REGISTRARS

Capita Registrars Limited  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR4 4TU

**Fulcrum Pharma PLC.**

Hemel One  
Boundary Way  
Hemel Hempstead  
Hertfordshire, HP2 7YU, UK

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f. +44 (0)1442 283 613

e. [info@fulcrumpharma.com](mailto:info@fulcrumpharma.com)

w. [www.fulcrumpharma.com](http://www.fulcrumpharma.com)