

Lipoxen PLC
(“Lipoxen” or “the Company”)

Preliminary Results for the Year Ended 31 December 2005

London, UK, 29 June, 2006 – Lipoxen PLC (AIM: LPX) a biopharmaceutical company specialising in the development of high value differentiated biologicals, vaccines and oncology drugs, today announces its final results for the year ended 31 December 2005.

CHAIRMAN’S STATEMENT

Current Status

It gives me great pleasure to write to Lipoxen’s shareholders for the first time in my capacity as Chairman of the Company. In the first six months of 2006 we have made significant changes to the Company which I believe have created a strong platform for the development of a dynamic value creating biopharmaceutical organisation. This platform is based on our novel drug and vaccine delivery system technologies, which have the potential to improve greatly the performance of high value differentiated biologicals, vaccines, and oncology drugs. These are all significant markets.

To capture the clear potential that our technologies offer we are adopting a two-pronged strategy. We are developing our own product portfolio based on our proprietary PolyXen® and ImuXen® and a related liposomal technology. In addition, we are working with a range of partners in order to assist them in developing new products as well as optimising the performance and patent-life of their current drugs. This partnership strategy is central to Lipoxen’s near term development and we are very encouraged that our technologies are being currently evaluated by some of world’s leading biotechnology and pharmaceutical companies such as Amgen, Baxter, Genentech, Genzyme, Teva and the Serum Institute of India, a leading global vaccine producer.

Lipoxen’s drug delivery technologies include PolyXen®, which is designed to improve the stability, biological half-life, water solubility and immunologic characteristics of therapeutic proteins and is seen as a potential alternative to PEGylation. In addition, ImuXen® and a related liposomal technology, for the formulation of cytotoxic oncology drugs, are being developed to enhance the efficacy and safety of various vaccines such as Hepatitis B and pneumococcal vaccines, as well as a number of anti-cancer agents like paclitaxel.

Based on this two-pronged strategy we have put in place a development and clinical product pipeline of 13 candidates which I believe places us in a strong position to enhance shareholder value.

We expect 2006 to be a landmark year in the life of the Company as a number of our product candidates move through preclinical trials and approach the clinic. We also anticipate material decisions regarding a number of our collaborations which could validate our approach and place us on the biopharmaceutical map. Although the capital raise that we made earlier in the year was modest, our collaborative partners are allocating significant human and capital resources to realize the potential of our two proprietary technologies in a number of drug and vaccine product candidates. We look forward to the remainder of 2006 and plan to keep our shareholders fully informed as these key value-creating events unfold.

The Reverse Takeover Transaction

Whilst Greenchip Investments plc had no operational activity in the period under review, the Directors continued to seek out a suitable transaction to utilise its status as a listed shell. Following several months of detailed discussions, your Company successfully concluded a Reverse Takeover Transaction (RTO) by which it has acquired the entire issued share capital of Lipoxen Technologies Limited (LTL). Contemporaneous with the RTO, the Company raised new capital of £3.78 million before expenses. Full details of the transaction were circulated to all shareholders on 23 December 2005 in preparation for the necessary EGM which was held on 16 January 2006 where the transaction was duly approved. Subsequent to that EGM a full RNS announcement was made to the London Stock Exchange.

At the EGM, *inter alia*, the name of the Company was changed from Greenchip Investments plc to Lipoxen PLC. The shares of the “new” Company were admitted to trading on AIM on 17 January 2006 and can be accessed under the ticker LSE:LPX.

Consideration for the RTO was satisfied by the issue of 66,666,665 million new Ordinary shares to the shareholders of Lipoxen which consideration shares as at the date of the transaction represented approximately 64.75% of the Issued Ordinary Share Capital of the Company as enlarged by the Acquisition and the Placing. Based on the placing price of 13.5p per share the Company was then valued at approximately £13.9 million. As of 26 June 2006 the company has a market capitalisation of approximately £22m based on a mid market price of *circa* 21.0 pence per share.

For illustrative purposes only and in order to demonstrate the effect of the transaction on the Company as if it had been concluded at that date, a Pro Forma Consolidated Balance Sheet as at 31 December 2005 is set out in Note 15 to the Financial Statements.

The Board of Directors of the Company has been changed and enlarged to encompass the necessary skills required for the development of the LTL business. I am pleased to report that the aggregate level of commercial and financial experience now vested in the Board will provide shareholders with the confidence that the Directors have the ability to execute professionally the Company’s strategy.

Future Prospects

Lipoxen’s future prospects are dependant upon the successful completion of clinical trials of products based on the patented drug and vaccine delivery technologies and on the Company’s ability to continue to fund the development effort required to attain that goal. The nature of early stage enterprises in the life sciences sector is one of ongoing technical challenges in a competitive environment where new capital is regularly sought in tranches sufficiently large to fully fund clinical trials and continued product pipeline expansion. While Lipoxen has sufficient working capital to meet its needs in the next 12 months, based on successful preclinical and early phase clinical performance of the technologies, new funds will have to be raised in due course.

We are confident that the progress that we anticipate in making over the next six months will provide us with a solid platform from which to raise additional funds.

I would like to thank the former directors of Greenchip Investments plc (as the predecessor company) for all of their efforts in ensuring that the RTO was concluded in a timely manner. I equally look forward to working with the enlarged Board as the Company meets its development challenges in the upcoming period. Finally, I congratulate the management and staff of LTL whose efforts have opened up many possibilities for commercial benefit both in the short and longer term.

Sir Brian Richards
Non-Executive Chairman

London: 29 June 2006

Annual Report and Accounts

Copies of the Report and Accounts will be sent to shareholders on 29 June 2006 and will be available from the Secretary at the Company's registered office at 22 Melton Street, London NW1 2BW.

Enquiries

| | |
|--|---------------------|
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Notes to Editor

Lipoxen PLC (LSE:LPX) is a biopharmaceutical company specialising in the development of high value differentiated biologicals, vaccines and oncology drugs. Potential products, which address markets in excess of US\$1 billion, currently under development include improved formulations of important biologicals including EPO, G-CSF, insulin and Interferon-alpha based on Lipoxen's proprietary PolyXen® technology. This technology is designed to improve the stability, biological half-life and immunologic characteristics of therapeutic proteins naturally. Lipoxen has two further naturally-derived proprietary delivery technologies ImuXen® and a related liposomal technology for the formulation of cytotoxic oncology drugs, which are being developed to enhance the efficacy and safety of various vaccines such as Hepatitis B and pneumococcal vaccines, as well as a number of anti-cancer agents like paclitaxel. The Company's proprietary delivery technologies are attracting significant interest and Lipoxen is already co-developing products with Serum Institute of India, one of the world's leading vaccine companies. In addition, its technologies are being currently evaluated by leading biotechnology companies such as Baxter, Amgen, Genzyme and Genentech.

Lipoxen was admitted to trading on the AIM Market of the London Stock Exchange in January 2006.

This announcement includes 'forward-looking statements' which include all statements other than statements of historical facts, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company's products and services), and any statements preceded by, followed by or that include forward-looking terminology such as the words 'targets', 'believes', 'estimates', 'expects', 'aims', 'intends', 'will', 'can', 'may', 'anticipates', 'would', 'should', 'could' or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Among the important factors that could cause the Company's actual results, performance or achievements to differ materially from those in forward-looking statements include those relating to The Company's funding requirements, regulatory approvals, clinical trials, reliance on third parties, intellectual property, key personnel and other factors. These forward-looking statements speak only as at the date of this announcement. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this announcement to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, readers are cautioned not to rely on any forward-looking statement.

DIRECTORS' REPORT 2005

The Directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activities, review of the business and future prospects

While the Company has had no operational activity in the year under review, the Directors have continuously sought out a suitable transaction to utilise its status as a listed shell following the disposal in late 2003 of all of its operating assets. On 16 January 2006, the Company acquired Lipoxen Technologies Limited for a consideration satisfied by the issue of 66,666,665 new ordinary shares of 0.5p each to the vendors, and raised £3.78 million (before expenses) by way of a placing of 28,000,000 new ordinary shares of 0.5p each at a price of 13.5p per share. The Company has changed its name to Lipoxen plc following the acquisition.

Lipoxen Technologies Limited is engaged in the development of drug delivery systems and proprietary products in the fields of protein drugs, vaccines and oncology.

A full review of the business and of future prospects is contained in the Chairman's Statement which accompanies these financial statements.

Review of Developments

The results of the Company for the year are disclosed in the Profit and Loss Account.

The financial position of the Company is disclosed in the Balance Sheet.

Policy for payment of creditors

It is the Company's policy to settle all agreed transactions within the terms established with suppliers. Trade creditors at the year end amounted to 155 days of average supplies.

Corporate governance

The Company's shares are traded on AIM and the Company is not therefore required to report on compliance with the Combined Code ("the Code"). However, the Board of Directors supports the Code, and also the recommendations made by Quoted Companies Alliance ("QCA") in its bulletin "Guidance for Smaller Quoted Companies". The bulletin provides a series of recommendations for smaller quoted companies in approaching the question of corporate governance.

Accordingly, the Board complies with the Code in areas where it is felt justified by reference to the QCA comments as being relevant to a business the size of Lipoxen plc.

Internal control

The Directors acknowledge their responsibilities for the Company's system of internal control. In fulfilling these responsibilities the Board has continued to review the effectiveness of the system of internal control on the basis of the criteria set out in the Guidance for Directors "Internal Control and Financial Reporting" as appropriate for a company of this size. Accepting that no system of control can provide absolute assurance against material misstatement or loss, the Directors believe that the established systems of internal control within the Company are appropriate to the business. No weaknesses have resulted in any material losses, contingencies or uncertainties which would require disclosure as recommended by the Guidance for Directors.

Directors and their interests

The Directors in office at the end of the year and their beneficial interests in the ordinary shares of the Company were:

| | <i>Beneficial Holdings</i> | | <i>Non-Beneficial</i> | | <i>Share Options</i> | |
|--------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | <i>Ordinary 0.5p each</i> | <i>Ordinary 1p each</i> | <i>Ordinary 0.5p each</i> | <i>Ordinary 1p each</i> | <i>Ordinary 0.5p each</i> | <i>Ordinary 1p each</i> |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Malcolm A. Burne | 250,000 | - | 48,500 | 2,425,000 | 5,000 | 250,000 |
| Dr Giap Wang Chong | *375,000 | - | - | - | - | - |
| Colin W. Hill | 375,000 | - | - | - | - | - |

* also held at date of appointment

Dr Giap Wang Chong was appointed as a Director on 1st August 2005. On 16th January 2006, Malcolm A. Burne resigned as a Director and Sir Brian M. Richards, Scott Maguire, Professor Gregory Gregoriadis, Dr Dmitry D. Genkin and Dr Tatiana Zhuravskaya were appointed as Directors of the Company.

Financial instruments

The company's financial instruments comprise cash at bank and various items such as trade debtors and trade creditors that arise directly from its operations. The purpose of these instruments is to provide finance for operations. The company does not enter into derivative transactions or trade in financial instruments as a matter of policy. The only risk arising from the company's financial instruments is interest rate risk, which would affect the interest received on the company's bank deposit account balance.

Most of the agreements that the enlarged group has entered into are denominated in US dollars whilst the group's operating costs are denominated in sterling. The group has not entered into any contracts to reduce its currency risk exposure. Therefore currency fluctuation could have a potential adverse impact on the financial results of the group.

Substantial shareholders

The directors are aware of the following substantial shareholdings of 3 per cent or more of the current Issued Ordinary Share Capital of 104,146,662 shares on 8 June 2006:

| <i>Ordinary Shares of 0.5p each</i> | <i>Number</i> | <i>Percentage</i> |
|---|---------------|-------------------|
| FDS Pharma Ass. | 45,849,964 | 44.02 |
| T. Hoare Nominees Limited | 9,946,256 | 9.55 |
| HSBC Global Custody Nominee (UK) Limited | 5,740,960 | 5.51 |
| Professor Gregory Gregoriadis | 5,561,973 | 5.34 |
| BNY GIL Client Account (Nominees) Limited | 4,193,515 | 4.03 |
| Vidacos Nominees Limited | 3,450,000 | 3.31 |
| Path Property Limited | 3,437,570 | 3.30 |

Auditors

PKF (UK) LLP were appointed as auditors to the company on 16 January 2006 following the resignation of F.W.Smith, Riches & Co. A resolution to re-appoint PKF (UK) LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Approved by the Board of Directors on 26 June 2006
and signed on its behalf by:

Colin Hill
Director

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company at the end of the year and of the profit or loss of the Company for that year.

In preparing the financial statements, the directors are required to select suitable accounting policies, as described on page 13, and then apply them on a consistent basis, making judgments and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

We have audited the financial statements of Lipoxen plc for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement and the Directors' Report. 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PKF (UK) LLP
Registered auditors
London
27 June 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31-DECEMBER 2005

| | <i>Note</i> | 2005 £ | 2004 £ |
|--|-------------|------------------|-----------------|
| Turnover | | - | - |
| Cost of Sales | | - | - |
| | | <u>-</u> | <u>-</u> |
| Gross profit/(loss) | | - | - |
| Administrative Expenses | | 114,201 | 11,730 |
| | | <u>114,201</u> | <u>11,730</u> |
| Operating loss | 2 | (114,201) | (11,730) |
| Interest receivable | | 2,258 | 83 |
| | | <u>2,258</u> | <u>83</u> |
| Loss for the year before and after taxation | | <u>(111,943)</u> | <u>(11,647)</u> |
| Loss per ordinary share – basic | 5 | <u>(2.06) p</u> | <u>(0.36) p</u> |
| Loss per ordinary share – diluted | 5 | <u>(2.06) p</u> | <u>(0.36) p</u> |

There is no difference between the profits and losses stated above and their historical cost equivalents.

The Company has no recognised gains or losses other than the results for the year as set out above.

BALANCE SHEET AS AT 31 DECEMBER 2005

| | <i>Notes</i> | <i>2005</i> £ | <i>2004</i> £ |
|---|--------------|-----------------------|---------------------|
| CURRENT ASSETS | | | |
| Debtors | 6 | 82,936 | 10,000 |
| Cash at bank and in hand | | 142,613 | 931 |
| | | <u>225,549</u> | <u>10,931</u> |
| CREDITORS: Amounts falling due within one year | 7 | (121,495) | (993) |
| | | <u>104,054</u> | <u>9,938</u> |
| NET CURRENT ASSETS | | | |
| | | <u>104,054</u> | <u>9,938</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | <u><u>104,054</u></u> | <u><u>9,938</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 8 | 1,675,000 | 1,635,128 |
| Share premium account | 10 | 7,311,165 | 7,136,165 |
| Profit and loss account | 10 | (8,882,111) | (8,770,168) |
| | | <u>104,054</u> | <u>1,125</u> |
| NON EQUITY | | | |
| Shares to be issued | 11 | - | 8,813 |
| | | <u>104,054</u> | <u>9,938</u> |
| SHAREHOLDERS' FUNDS | | | |
| | 12 | <u><u>104,054</u></u> | <u><u>9,938</u></u> |

The financial statements on pages 10 to 18 were approved and authorised for issue by the Board of Directors on 26 June 2006 and signed on its behalf by:

Colin Hill
Director

CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2005

| | <i>Notes</i> | <i>2005</i> £ | <i>2005</i> £ | <i>2004</i> £ | <i>2004</i> £ |
|---|--------------|------------------|------------------|------------------|------------------|
| Net cash outflow from operating activities | 13 | | (75,448) | | (35,063) |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 2,258 | | 83 | |
| Net cash inflow from returns on investments and servicing of finance | | | 2,258 | | 83 |
| Net cash outflow before financing | | | (73,190) | | (34,980) |
| Financing | | | | | |
| Issue of equity shares | | | 214,872 | | 32,312 |
| Increase/(decrease) in cash resources | 14 | | 141,682 | | (2,668) |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Deferred taxation

In accordance with FRS 19 full provision is made at current rates for taxation deferred in respect of all timing differences. Deferred tax balances are not discounted. Deferred tax assets are only recognised where they arise from timing differences where their recoverability in the short term is regarded as more likely than not.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

2. Operating Loss

| | 2005 | 2004 |
|--|-------|-------|
| | £ | £ |
| Operating loss is stated after charging: | | |
| Auditors' remuneration: | | |
| Audit Fees | 2,000 | - |
| Other services | - | - |
| | ===== | ===== |

Remuneration of £2,000 paid to the previous auditors in respect of the 2004 audit has also been included in the 2005 profit and loss account.

3. Taxation

(a) No taxation is provided due to the availability of losses for tax purposes.

(b) Factors affecting the tax charge for the year

The tax assessed for the year does not reflect a credit equivalent to the loss on ordinary activities multiplied by the standard rate of corporation tax of 30% (2004:30%)

| | 2005 | 2004 |
|---|-----------|----------|
| | £ | £ |
| Loss on ordinary activities before tax | (111,943) | (11,647) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax of 30% | (33,583) | (3,494) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1,201 | - |
| Capital allowances in advance of depreciation | (2,236) | (2,981) |
| Unrelieved tax losses arising in the year | 34,618 | 6,475 |
| Current tax credit for the period | - | - |
| | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

4. Information regarding directors and employees

Directors' emoluments for the year were £37,500 (2004: £nil).

Consultancy fees of £10,000 were paid to Wangi Limited, a company controlled by Dr Giap Wang Chong, during the year.

Employees

| | | |
|------------------------------|---------------|--------------|
| Staff costs were as follows: | <i>2005</i> | <i>2004</i> |
| | £ | £ |
| Wages and Salaries | 55,461 | 6,888 |
| Social Security costs | 6,495 | 212 |
| | <u>61,956</u> | <u>7,100</u> |

The average monthly number of employees, including directors during the year, was as follows:

| | | |
|------------|---------------|---------------|
| | <i>Number</i> | <i>Number</i> |
| Management | <u>5</u> | <u>4</u> |

5. Loss per ordinary share

The calculation of loss per ordinary share is based on losses of £111,943 (2004 - £11,647) and on the number of shares in issue, being the adjusted weighted average number of shares in issue during the period of 5,440,743 ordinary 0.5p shares (2004 - 3,251,408 ordinary 0.5p shares). There is no dilutive effect of share options on the basic loss per share.

6. Debtors

| | | |
|--------------------------------|---------------|---------------|
| | <i>2005</i> | <i>2004</i> |
| | £ | £ |
| Other debtors | 13,523 | 10,000 |
| Prepayments and accrued income | 69,413 | - |
| | <u>82,936</u> | <u>10,000</u> |

7. Creditors: Amounts falling due within one year

| | | |
|------------------------------|----------------|-------------|
| | <i>2005</i> | <i>2004</i> |
| | £ | £ |
| Trade creditors | 54,628 | 399 |
| Other creditors | - | 244 |
| Accruals and deferred income | 66,867 | 350 |
| | <u>121,495</u> | <u>993</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

| | | |
|--|------------------|------------------|
| 8. Called up share capital | 2005 | 2004 |
| | £ | £ |
| Authorised | | |
| 452,909,957 ordinary shares of 1p each | - | 4,529,100 |
| 673,300,000 ordinary shares of 0.5p each | 3,366,500 | - |
| 16,335,000,000 deferred shares of 0.01p each | 1,633,500 | - |
| | <u>5,000,000</u> | <u>4,529,100</u> |
| Called up, allotted and fully paid | | |
| 163,512,847 ordinary shares of 1p each | - | 1,635,128 |
| 8,300,000 ordinary shares of 0.5p each | 41,500 | - |
| 16,335,000,000 deferred shares of 0.01p each | 1,633,500 | - |
| | <u>1,675,000</u> | <u>1,635,128</u> |

On 3 May 2005 the Company issued 1,487,153 ordinary shares of 1p each in satisfaction of an outstanding creditor balance.

In June 2005 the Company underwent a restructuring of its share capital under which:

- (a) the authorised share capital was increased to 500,000,000 ordinary shares of 1p each;
- (b) each of the 165,000,000 ordinary shares of 1p each in issue was sub-divided into 1 ordinary share of 0.01p and 99 deferred shares of 0.01p. The rights of the deferred shares are such that they have no value and in due course they will be repurchased by the Company for no consideration;
- (c) each of the 335,000,000 unissued ordinary shares of 1p each was sub-divided into 100 ordinary shares of 0.01p each; and
- (d) each 50 ordinary shares of 0.01p each were then consolidated into 1 ordinary share of 0.5p each.

On 28 July 2005 the Company placed 5,000,000 ordinary shares of 0.5p each at 4p per share, raising cash of £200,000 before costs.

9. Share Options and warrants

The Company currently has share option schemes for the Company's shares which have been granted to directors and other parties. The share options in existence at the balance sheet date were as follows:

| <i>Date granted</i> | <i>Parties</i> | <i>Exercise price</i> | <i>Number of shares</i> | <i>Exercise period</i> |
|---------------------|----------------|-----------------------|-------------------------|------------------------|
| 9 August 1999 | Directors | 150p | 5,000 | Until 8 August 2006 |
| 9 August 1999 | Others | 150p | 25,000 | Until 8 August 2006 |
| 1 February 2000 | Others | 750p | 16,000 | Until 31 January 2007 |
| | | | <u>46,000</u> | |

On 22 December 2005 a warrant was granted under which the holder may subscribe for up to 1,680,000 ordinary shares of 0.5p at a price of 13.5p per share, exercisable between 17th January 2006 and 17th June 2007.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

10. Reserves

| | <i>Share premium account</i> | <i>Profit and loss account</i> | <i>Total</i> |
|-----------------------------|--------------------------------------|--|--------------------|
| | £ | £ | £ |
| Balance at 1 January 2005 | 7,136,165 | (8,770,168) | (1,634,003) |
| Loss for the year | - | (111,943) | (111,943) |
| Shares issued in the year | 175,000 | - | 175,000 |
| | <u>7,311,165</u> | <u>(8,882,111)</u> | <u>(1,570,946)</u> |
| Balance at 31 December 2005 | <u>7,311,165</u> | <u>(8,882,111)</u> | <u>(1,570,946)</u> |

11. Shares to be issued

| | £ |
|--|----------|
| Balance at 1 January 2005 | 8,813 |
| Additional amounts to be settled in shares | 6,059 |
| Shares issued in year | (14,872) |
| | <u>-</u> |
| Balance at 31 December 2005 | <u>-</u> |

On 5 May 2005, shares with a par value of £14,872 were issued to a trade creditor who had agreed to accept them in settlement of the amount owed.

12. Reconciliation of movements in shareholders' funds

| | <i>2005</i> | <i>2004</i> |
|-------------------------------------|----------------|--------------|
| | £ | £ |
| Loss for the financial year | (111,943) | (11,647) |
| New share capital subscribed | 214,872 | 32,312 |
| Decrease in shares to be issued | (8,813) | (13,218) |
| | <u>94,116</u> | <u>7,447</u> |
| Net increase in shareholders' funds | 94,116 | 7,447 |
| Opening shareholders' funds | 9,938 | 2,491 |
| | <u>104,054</u> | <u>9,938</u> |
| Closing shareholders' funds | <u>104,054</u> | <u>9,938</u> |

13. Reconciliation of operating loss to net cash flow from operating activities

| | <i>2005</i> | <i>2004</i> |
|----------------------------------|-----------------|-----------------|
| | £ | £ |
| Operating loss | (114,201) | (11,730) |
| (Increase)/decrease in debtors | (72,936) | 6,259 |
| Increase/(decrease) in creditors | 111,689 | (29,592) |
| | <u>(75,448)</u> | <u>(35,063)</u> |
| | <u>(75,448)</u> | <u>(35,063)</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

14. Reconciliation of net cash flow to movement in net debt

| | <i>At 1 January 2005 £</i> | <i>Cash flow £</i> | <i>At 31 December 2005 £</i> |
|--------------------------|--|----------------------------|--|
| Cash at bank and in hand | 931 | 141,682 | 142,613 |
| Net funds | <u>931</u> | <u>141,682</u> | <u>142,613</u> |

15. Events after the balance sheet date

On 16 January 2006, the Company acquired Lipoxen Technologies Limited for a consideration satisfied by the issue of 66,666,665 new ordinary shares of 0.5p each to the vendors, and raised £3.78 million (before expenses) by way of a placing of 28,000,000 new ordinary shares of 0.5p each at a price of 13.5p per share. Had this acquisition and placing taken place at 31 December 2005, the summarised consolidated balance sheet of the Group would have been presented as:

FIXED ASSETS

| | |
|---|-----------|
| Intangible assets – goodwill on consolidation | 9,447,811 |
| Tangible assets | 25,196 |
| | <hr/> |
| | 9,473,007 |

CURRENT ASSETS

| | |
|--------------|-----------|
| Debtors | 354,728 |
| Cash at bank | 3,032,473 |
| | <hr/> |
| | 3,387,201 |

| | |
|---|-----------|
| CREDITORS: Amounts falling due within one year | (978,176) |
| | <hr/> |

| | |
|---------------------------|-----------------|
| NET CURRENT ASSETS | <hr/> 2,409,025 |
|---------------------------|-----------------|

| | |
|--|------------------|
| TOTAL ASSETS LESS CURRENT LIABILITIES | <hr/> 11,882,032 |
|--|------------------|

CAPITAL AND RESERVES

| | |
|-------------------------|-------------|
| Called up share capital | 2,148,333 |
| Share premium account | 18,615,810 |
| Profit and loss account | (8,882,111) |
| | <hr/> |

11,882,032
=====

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

15. Events after the balance sheet date (continued)

Following the acquisition of Lipoxen Technologies Limited, options in issue over 2,655,793 shares in that company were cancelled and the holders were granted options over 3,602,792 ordinary shares in the Company. S Maguire was granted an option over 6.75% of the enlarged share capital of the Company.

The Company has also undertaken to satisfy the obligations of Lipoxen Technologies Limited under the FDS Development Agreement, under which FDS Pharma Ass was to provide manufacturing and clinical development services in consideration for the allotment of shares in Lipoxen Technologies Limited on the attainment of a number of milestones set out in the agreement. A liquidated amount has been agreed as the fee payable to FDS Pharma Ass for the achievement of each milestone, which in aggregate for all milestones is \$2,670,764. The aggregate number of shares in the Company which can be allotted in satisfaction of the obligation to pay these fees is up to 10,174,430 ordinary shares.

The Company has undertaken to provide sufficient funds to Lipoxen Technologies Limited to enable it to meet its debts as they fall due for a period of twelve months from the date of signature of these financial statements.

In March 2006, 1,180,000 ordinary shares of 0.5p each were issued for cash of £159,300 under the terms of the warrant described in Note 9.

16. Financial instruments

The Company's financial instruments comprise cash balances and various items such as debtors and creditors arising directly from its operations. The main purpose of these instruments is to finance the Company's operations.

The Company does not enter into any derivative transactions.

Short term debtors and creditors have been excluded from the following disclosure.

Interest rate risk of financial assets

| | <i>Cash at bank and in hand</i> | |
|---------------|---------------------------------|-------------|
| | <i>2005</i> | <i>2004</i> |
| | <i>£</i> | <i>£</i> |
| Floating rate | 142,613 | - |
| | ===== | ===== |

Floating rate cash earns interest based on prevailing market rates.