Chroma Therapeutics Limited
Report and Consolidated financial statements

Year ended 31 December 2013

Chroma
THERAPEUTICS

Company information

Company number	4066289 (England & Wales)
Directors	P V Allen (Chairman) R E Bungay (Chief Executive Officer) T J Haines Dr S J Powell Dr T Sykes
Secretary	R E Bungay
Registered office	93 Innovation Drive Milton Park Abingdon OX14 4RZ
Auditors	Ernst & Young LLP Apex Plaza Reading RG1 1YE

Contents

Strategic report
for the year ended 31 December 2013

The directors present their strategic report and consolidated financial statements for Chroma Therapeutics Ltd ('the Company'; registered number 04066289) and its subsidiary (together 'the Group') for the year ended 31 December 2013.

Principal activity
The principal activity of the Group during 2013 continued to be the research and development of novel therapeutic agents for the treatment of cancer and inflammatory disorders.

A number of restructuring events occurred from December 2013 to the date of this report. At the date of this report, the Group operates virtually with no ongoing operations, employees or research responsibilities. It retains the rights to receive milestones and royalties from certain technology programs divested to the following companies. These companies are responsible for all ongoing research and development activity, cost and decision-making:

GlaxoSmithKline ("GSK") – the clinical development candidate CHR-5154; and

CRT Pioneer Fund - the clinical development candidate CHR-2845 and ESM technology.

General business review – consolidated statement of comprehensive expense
During 2012, the Group had restructured its operations in order to focus on its lead clinical development candidate tosedostat, which is being developed with its partner CTI Biopharma Inc. ("CTI"), its clinical development candidate CHR-2845, which is being developed in investigator-sponsored studies, and its clinical development candidate CHR-5154 which is being developed in collaboration with GlaxoSmithKline ("GSK"). In December 2013 the Group restructured its collaboration with GSK such that GSK became solely responsible for all research and development activities.

The Group does not have regular sources of revenue other than interest earned on its cash and short term deposits and the UK R&D tax credit scheme, which enables the Company to surrender a proportion of its tax losses relating to research and development in each financial year in return for a cash receipt.

The Group also receives income relating to the achievement of milestones under its collaborations with GSK and CTI: research and development collaboration income, recognised in revenue over the relevant development periods, is more predictable once received in cash, while discrete milestone income is less predictable. As detailed in Note 4, the Group received cash payments totalling £3,666,668 in respect of signature fees and milestone payments from GSK during the year ended 31 December 2013 and recognised previously deferred income totalling £1,467,570 arising from its collaborations with CTI and GSK.

Research and development expenditure decreased significantly compared to the previous financial year, reflecting the full year impact of the closure of its research operations in the prior year and reduced expenditure on clinical trials. General and administrative expenses were also reduced in comparison to the previous financial year as a result of the full year impact of the restructuring.

The Group's income and expenses during the year were in line with its expectations.

General business review – consolidated balance sheet
The balance sheet has total assets amounting to £970,930 (31 December 2012: £5,347,909).

Assets
The significant reduction in assets has largely been driven by the receipt of a milestone payment from GSK in early 2013 that was in trade receivables as at 31 December 2012, a lower R&D tax credit claim reflecting reduced research and development expenditure noted above and the impairment of all remaining fixed assets reflecting the continued restructuring to become a virtual company.

Liabilities
Total liabilities are in line with the prior year with a reduction reflecting the repayment of the secured loan in December 2013 (see Note 17) and the reduction in deferred income arising from the recognition of revenue noted above being offset by additional accrued interest on the unsecured loan (see Note 18).

At the date of this report, the unsecured loan notes payable have a contractual repayment date of January 2016. The cash repayment amount is £32.1 million.

Other assets and liabilities are in line with the previous year and the Group's expectations.

Strategic report (continued)

General business review – consolidated cashflow statement
Cash is in line with the previous year, with cash received from GSK (as noted above) largely being offset by the repayment of the secured loan facility. Cash as at the year end was in line with the Group's expectations.

Analysis of financial key performance indicators
The Group primarily measures its performance based upon the achievement of key milestones in its research and development programme, however net cash generated from operations is considered a key financial indicator.

Principal risks and uncertainties
The Group operates in a high-risk sector, which is reflected in the Group's investor base, comprising primarily specialist venture capital organisations. The key risks facing the Group, which are separated into those facing the Group's collaborators and that risk facing the Group, are as follows:

a) Risks facing the Group's collaborators:
Product risk
The development of a new therapeutic agent carries substantial risks, including difficulties in the design and execution of studies to evaluate the efficacy and safety of the agent or the results from such studies being inconsistent with those from earlier studies. In addition, the pharmaceutical sector is highly competitive with many companies pursuing similar therapeutic approaches. There is substantial risk that competitors' agents may reach the market ahead of those being developed by the Group's collaborators or have a superior profile to these agents, or that the Group's patent filings may be found to infringe the rights of others or be declared invalid.

Regulatory risk
The pharmaceutical sector is regulated by relevant authorities in the EU, US and the rest of the world. There is substantial risk that the Group's collaborators may not be able to agree study designs with regulatory authorities that are mutually acceptable or that regulatory requirements may change during the course of a study, rendering the results of the study unusable.

b) Risk facing the Group
Financing risk
At the date of this report, the sole future income stream for the Group is the receipt of milestones and royalties from its collaborators, GSK and CRT Pioneer Fund, contingent on the successful achievement of future product development, regulatory approval and sales objectives, all of which are outside of the control of the Group. The timing and quantum of those receipts is uncertain, although the expected timing extends between 1 and 5 years from the balance sheet date.

At the date of this report, the Group has insufficient funds to settle unsecured loans with a cash total repayment amount of £32.1m, due in January 2016, after deducting expected cash receipts from the sale of CTI shares planned for 2015.
The Group will be required to negotiate the further extension of the unsecured loans' current contractual repayment terms until further cash receipts from Group collaborators occur.

If further cash receipts from collaborators are insufficient to settle the remaining unsecured loans, the Group will be required to negotiate the waiver of certain proportions of the unsecured loans owed to shareholders.

On behalf of the Board

R E Bungay
Director

Directors' report
for the year ended 31 December 2013

The directors present their report and consolidated financial statements for Chroma Therapeutics Ltd ('the Company'; registered number 04066289) and its subsidiary (together 'the Group') for the year ended 31 December 2013.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that, for the foreseeable future, the Group will continue in operation and be able to meet its liabilities as they fall due. In concluding that it is appropriate to adopt the going concern basis the directors considered cash flow forecasts for the 12 month period from the date of these financial statements.

Given the various restructuring events which began in 2012 and continued to the date of this report, as further described in the business review section of the Strategic Report and the "events after the end of the reporting period" section of the Directors' Report, the Directors describe here the position at the date of this Report.

The Group's sole debt obligations, other than minimal working capital supplier balances, are the unsecured loan notes held by certain of the Group's corporate shareholders, with a contractual repayment date of January 2016. The cash repayment amount is fixed at £32.1 million, including principal and all associated interest/redemption premiums.

The Group's principal liquid asset is a holding of shares in the Nasdaq-listed Group, CTI, which is valued at approximately £14 million based on open market value at 31 December 2014. The CTI shares may be sold for cash in the open market during 2015, under the terms of the disposal of tosedostat agreement with CTI, signed in October 2014.

The Group is now a virtual company, with minimal cash outgoings, and is organised in order to collect potential future milestones, royalties and revenue shares from its collaborations with GSK and the CRT Pioneer Fund.

Based on current financial forecasts, the Group has adequate funds to run its envisaged operations for the 12 month period from the date of these financial statements. However, whilst the principal asset detailed above will enable the Group to repay part of the unsecured loan notes, a significant proportion is expected to remain outstanding at the current contractual repayment date of 19 January 2016. Although material uncertainties exist in relation to the timing and quantum of future cash receipts from GSK and the CRT Pioneer Fund, and completing the extension of the contractual repayment date of unsecured loans until after the receipt of such amounts, the Directors have reasonable expectations that the noteholders will consent to extending the contractual repayment date and that sufficient future milestones, royalties and revenue shares will be generated to enable the remaining unsecured loan notes to be repaid.

IAS 1: "Presentation of Financial Statements" requires the Directors to disclose "material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern". After careful consideration of IAS 1 and the Financial Reporting Council's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" guidance, the Directors consider that the uncertainties regarding the ability of the Group to repay the unsecured loan notes meets the definition of a "material uncertainty". Nevertheless, the Directors have a reasonable expectation that the Group's shareholders who are the unsecured loan holders, will consent to further extension of the repayment date of the unsecured loan notes, and that future cash receipts from its collaborations will be sufficient to repay the unsecured loan notes in full. Therefore, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly the Board considers that the business is a going concern and continues to adopt the going concern basis in preparing the financial statements. The financial statements do not contain the adjustments that would result if the Group was unable to continue as a going concern.

Results and dividends

The Group made a loss for the year of £4,277,814 (year ended 31 December 2012: loss of £9,715,312). The directors do not recommend the payment of a dividend. Expenditure on tangible fixed assets during the year was £nil (year ended 31 December 2012: £nil).

Directors' report (continued)

Future developments
The Group intends to continue the restructuring its operations during 2015 to become a virtual company with minimal cash burn; accordingly it expects expenditures to be significantly lower in 2014 and 2015.

Directors and their interests
The directors who held office during the year and their interests in the share capital of the Company, as recorded in the register of directors' interests, of those serving at the year end, were as follows:

	Options over ordinary shares of £0.001 each		Ordinary shares of £0.001 each	
	At 31 Dec 2013	**At 31 Dec 2012**	**At 31 Dec 2013**	**At 31 Dec 2012**
P V Allen	80,000	80,000	80,000	80,000
R E Bungay	350,000	350,000	-	-

Ordinary shares issued to directors and employees are subject to a vesting period of between 13 months and 59 months from the date of issue. Vesting conditions for share options are detailed in Note 12 to the financial statements.

Directors' qualifying third party indemnity provisions
The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Financial risk management
The Group continually reviews its exposure to different foreign currencies and, where available, will enter into the most appropriate hedging arrangements to minimise the impact of adverse exchange rate movements where necessary. As at 31 December 2013 the Group did not have any material exposures to foreign currencies. To the extent that cash reserves are not required to meet immediate operational requirements, excess reserves are invested in fixed interest investment grade bank deposits. The Group does not currently have any material exposure to credit risk.

Charitable and political donations
The Group did not make any charitable or political donations during the year.

Payment of creditors
The Group's policy with respect to the payment of its suppliers is to either use standard payment terms or to agree payment terms when entering into a transaction and to abide by those terms. Trade payables as at 31 December 2013 represented 30 days as a proportion of the total purchases during the financial year.

Disclosure of information to the auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors
A resolution to reappoint Ernst & Young LLP as auditors and to authorise the directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Directors' report (continued)

Statement of directors' responsibilities in respect of the consolidated financial statements
Company Law requires that the directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable United Kingdom law and have elected to prepare consolidated financial statements in accordance with those International Financial Reporting Standards as adopted by the European Union. Under Company Law the directors must not approve the consolidated financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period. In preparing those consolidated financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Events after the end of the reporting period
During January 2014 the Company entered into a further sub-lease of its facility at 93 Milton Park, providing a stream of rental income to offset in part the expense of the unused space in the facility. In June 2014 the Company made a capital payment to the landlord in return for the surrender of the lease and release from all associated obligations.

In October 2014 the Group divested its tosedostat programme to CTI for a one-off payment of approximately $21 million in CTI shares.

In November 2014 the Group divested its CHR-2845 programme and ESM technology to the CRT Pioneer Fund for an up front cash payment of £350,000 along with a share of future revenues generated from these programmes.

This report was approved by the Board on 29 January 2015 and has been prepared in accordance with the Companies Act 2006.

On behalf of the Board

R E Bungay
Director

Independent auditor's report to the members of Chroma Therapeutics Limited

We have audited the consolidated and parent company financial statements (the "financial statements") of Chroma Therapeutics Limited for the year ended 31 December 2013 which comprise the consolidated statement of profit or loss and other comprehensive expense, consolidated and parent company balance sheets, the consolidated and parent company statements of changes in equity, the consolidated and parent company cash flow statements and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Group and Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Group and Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter – Going Concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of disclosures made in Note 2 to the consolidated financial statements concerning the Group's ability to continue as a going concern, which indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

David Hales (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
Date: 30 January 2015

Chroma
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Consolidated statement of profit or loss and other comprehensive expense

for the year ended 31 December 2013

	Note	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Revenue	4	5,135,538	7,356,967
Research and development costs	4	(2,823,253)	(4,205,349)
Administrative expenses	4	(1,549,844)	(1,336,073)
Restructuring income/(expense)	4	908,917	(2,394,678)
Other operating (expense)/income	4	(22,521)	147,756
Operating profit/(loss)		1,648,837	(431,377)
Finance revenue	11	1,472	3,613
Finance expense	17	(6,145,720)	(9,765,631)
Loss before taxation		(4,495,411)	(10,193,395)
Tax credit	7	217,597	478,083
Total comprehensive expense for the year		(4,277,814)	(9,715,312)

Chroma THERAPEUTICS

Consolidated balance sheet
as at 31 December 2013

	Note	31 December 2013 £	31 December 2012 £
ASSETS			
Non current assets			
Property, plant and equipment	8	-	78,382
Current assets			
Trade and other receivables	10	423,122	4,328,587
R&D tax credit receivable	7	155,723	478,083
Prepayments		177,187	210,043
Available for sale investments		21,231	30,543
Cash and short term deposits	11	193,667	222,271
		970,930	5,269,527
TOTAL ASSETS		970,930	5,347,909
EQUITY AND LIABILITIES			
Equity			
Issued capital	13	49,999	49,999
Share premium		63,566,660	63,566,660
Warrants		118,934	118,934
Other reserves	13	224,913	227,291
Accumulated losses		(88,954,900)	(84,677,086)
Total equity		(24,994,394)	(20,714,202)
Non-current liabilities			
Deferred income	16	1,407,147	2,670,948
Unsecured loan	18	22,413,461	16,505,966
Provisions	19	388,169	1,620,840
		24,208,777	20,797,754
Current liabilities			
Trade and other payables	15	1,316,437	1,522,994
Deferred income	16	440,110	643,979
Secured loan	17	-	3,097,384
		1,756,547	5,264,357
TOTAL EQUITY AND LIABILITIES		970,930	5,347,909

Approved by the Board on 29 January 2015 and signed on its behalf by

R E Bungay
Director

Company number: 04066289 (England & Wales)

Company balance sheet
as at 31 December 2013

	Note	31 December 2013 £	31 December 2012 £
ASSETS			
Non current assets			
Property, plant and equipment	8	-	78,382
Investment in subsidiary company	9	5,000,002	5,000,002
		5,000,002	5,078,384
Current assets			
Trade and other receivables	10	423,122	4,328,587
R&D tax credit receivable	7	155,723	478,083
Prepayments		177,187	210,043
Available for sale investments		21,231	30,543
Cash and short term deposits	11	193,667	222,271
		970,930	5,269,527
TOTAL ASSETS		5,970,932	10,347,911
EQUITY AND LIABILITIES			
Equity			
Issued capital	13	49,999	49,999
Share premium		63,566,660	63,566,660
Warrants		118,934	118,934
Other reserves	13	224,913	227,291
Accumulated losses		(83,954,898)	(78,649,524)
Total equity		(19,994,392)	(14,686,640)
Non-current liabilities			
Deferred income	16	1,407,147	1,847,257
Unsecured loan	18	22,413,461	16,505,966
Provisions	19	388,169	1,620,840
		24,208,777	19,974,063
Current liabilities			
Trade and other payables	15	1,316,437	1,522,994
Deferred income	16	440,110	440,110
Secured loan	17	-	3,097,384
		1,756,547	5,060,488
TOTAL EQUITY AND LIABILITIES		5,970,932	10,347,911

Approved by the Board on 29 January 2015 and signed on its behalf by

R E Bungay
Director

Chroma THERAPEUTICS

Consolidated and company statements of changes in equity
for the year ended 31 December 2013

	Issued capital £	Share premium £	Warrants £	Other reserves £	Accumulated losses £	Total equity £
Group						
At 1 January 2012	49,999	63,566,660	118,934	242,937	(74,961,774)	(10,983,244)
Expense reversal of share options issued to employees (Note 12)	-	-	-	(15,646)	-	(15,646)
Loss for the year	-	-	-	-	(9,715,312)	(9,715,312)
At 31 December 2012	49,999	63,566,660	118,934	227,291	(84,677,086)	(20,714,202)
Expense reversal of share options issued to employees (Note 12)	-	-	-	(2,378)	-	(2,378)
Loss for the year	-	-	-	-	(4,277,814)	(4,277,814)
At 31 December 2013	49,999	63,566,660	118,934	224,913	(88,954,900)	(24,994,394)
Company						
At 1 January 2012	49,999	63,566,660	118,934	242,937	(69,022,246)	(5,043,716)
Expense reversal of share options issued to employees (Note 12)	-	-	-	(15,646)	-	(15,646)
Loss for the year	-	-	-	-	(9,627,278)	(9,627,278)
At 31 December 2012	49,999	63,566,660	118,934	227,291	(78,649,524)	(14,686,640)
Expense reversal of share options issued to employees (Note 12)	-	-	-	(2,378)	-	(2,378)
Loss for the year	-	-	-	-	(5,305,374)	(5,305,374)
At 31 December 2013	49,999	63,566,660	118,934	224,913	(83,954,898)	(19,994,392)

Chroma THERAPEUTICS

Consolidated and company cashflow statements

for the year ended 31 December 2013

	Note	Group Year ended 31 December 2013 £	Company Year ended 31 December 2013 £	Group Year ended 31 December 2012 £	Company Year ended 31 December 2012 £
Cash flows from operating activities					
Operating profit/(loss)		1,648,837	621,277	(431,377)	(343,343)
Adjustments to reconcile operating loss to net cash flows from operating activities:					
Non-cash items					
• Expense of share options issued to employees		(2,378)	(2,378)	(15,646)	(15,646)
• Revaluation of shares held as investment		9,312	9,312	(6,727)	(6,727)
• Release of provision against amount due from subsidiary company	10	-	(774,809)	-	(2,663,037)
• (Release of provision)/provision for onerous lease	19	(1,232,671)	(1,232,671)	1,620,840	1,620,840
• Depreciation and impairment	8	27,050	27,050	39,241	39,241
• Impairment of assets		51,332	51,332	-	-
• Profit on disposal of fixed assets	8	(38,122)	(38,122)	(141,029)	(141,029)
Working capital adjustments					
• Income tax received		539,957	539,957	1,076,460	1,076,460
• Decrease in payables		(1,674,227)	(646,666)	(4,463,306)	(4,551,340)
• Decrease/(increase) in receivables		3,938,321	4,713,130	(2,973,040)	(310,003)
Net cash inflow/(outflow) from operating activities		3,267,411	3,267,411	(5,294,584)	(5,294,584)
Cash flows from investing activities					
Purchase of property, plant and equipment	8	-	-	-	-
Proceeds from sale of property, plant and equipment	8	38,122	38,122	149,538	149,538
Net cash flows generated by investing activities		38,122	38,122	149,538	149,538
Cash flows from financing activities					
Interest received		1,472	1,472	4,343	4,343
Draw down of bridging loan notes	18	-	-	7,618,000	7,618,000
Repayment of secured loan principal		(3,299,762)	(3,299,762)	(2,089,667)	(2,089,667)
Interest paid on secured loans		(238,225)	(238,225)	(476,378)	(476,378)
Net cash (outflow)/inflow from financing activities		(3,536,515)	(3,536,515)	5,056,298	5,056,298
Effect of exchange rate changes		202,378	202,378	(429,434)	(429,434)
Net (decrease) in cash and cash equivalents		(28,604)	(28,604)	(518,182)	(518,182)
Cash and cash equivalents at start of period	11	222,271	222,271	740,453	740,453
Cash and cash equivalents at end of period	11	193,667	193,667	222,271	222,271

Notes to the consolidated financial statements
for the year ended 31 December 2013

1 CORPORATE INFORMATION

The group and company financial statements of Chroma Therapeutics Limited for the year ended 31 December 2013 ("financial statements") were authorised for issue in accordance with a resolution of the directors on 29 January 2015. Chroma Therapeutics Limited is a limited company incorporated in England & Wales and domiciled in the United Kingdom.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for provisions, employee share options, warrants and items settled by issue of shares, which have been measured at fair value. The financial statements are presented in sterling and all values are rounded to the nearest pound.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that, for the foreseeable future, the Group will continue in operation and be able to meet its liabilities as they fall due. In concluding that it is appropriate to adopt the going concern basis the directors considered cash flow forecasts for the 12 month period from the date of these financial statements.

Given the various restructuring events which began in 2012 and continued to the date of this report, as further described in the business review section of the Strategic Report and the "events after the end of the reporting period" section of the Directors' Report, the Directors describe here the position at the date of this Report.

The Group's sole debt obligations, other than minimal working capital supplier balances, are the unsecured loan notes held by certain of the Group's corporate shareholders, with a contractual repayment date of January 2016. The cash repayment amount is fixed at £32.1 million, including principal and all associated interest/redemption premiums.

The Group's principal liquid asset is a holding of shares in the Nasdaq-listed Group, CTI, which is valued at approximately £14 million based on open market value at 31 December 2014. The CTI shares may be sold for cash in the open market during 2015, under the terms of the disposal of tosedostat agreement with CTI, signed in November 2014.

The Group is now a virtual company, with minimal cash outgoings, and is organised in order to collect potential future milestones, royalties and revenue shares from its collaborations with GSK and the CRT Pioneer Fund.

Based on current financial forecasts, the Group has adequate funds to run its envisaged operations for the 12 month period from the date of these financial statements. However, whilst the principal asset detailed above will enable the Group to repay part of the unsecured loan notes, a significant proportion is expected to remain outstanding. Although material uncertainties exist in relation to future cash receipts from GSK and CRT Pioneer Fund, and completing the extension of the contractual repayment date of unsecured loans until after the receipt of such amounts, the Directors have reasonable expectations that the noteholders will consent to further extending the contractual repayment date and that sufficient future milestones, royalties and revenue shares will be generated to enable the remaining unsecured loan notes to be repaid. In the event that such future cash receipts are not sufficient to repay the outstanding unsecured loan notes, the Group would renegotiate the outstanding loan amounts to a level which could be settled based on funds available. The status of future collaboration income will be reassessed regularly by the directors and shareholders/loan note holders.

IAS 1: "Presentation of Financial Statements" requires the Directors to disclose "material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern". After careful consideration of IAS 1 and the Financial Reporting Council's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" guidance, the Directors consider that the uncertainties regarding the ability of the Group to repay the unsecured loan notes meets the definition of a "material uncertainty". Nevertheless, the Directors have a reasonable expectation that the Group's shareholders who are the unsecured loan holders, will consent to further extension of the repayment date of the unsecured loan notes, and that future cash receipts from its collaborations will be sufficient to repay the unsecured loan notes in full. Therefore, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future.

2 BASIS OF PREPARATION (continued)

Going concern (continued)
Accordingly the Board considers that the business is a going concern and continues to adopt the going concern basis in preparing the financial statements. The financial statements do not contain the adjustments that would result if the Group was unable to continue as a going concern.

Basis of consolidation
The consolidated financial statements comprise the financial statements of Chroma Therapeutics Limited and its subsidiary as at 31 December each year. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiary are prepared with the same accounting reference date of 31 December, using consistent accounting policies. All intra-group transactions are eliminated in full. No profit and loss account is presented for the Company as permitted by Section 408 of the Companies Act 2006. The Company made a loss for the year of £5,305,374 (year ended 31 December 2012: loss of £9,627,278).

Statement of compliance
The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. All IFRSs issued by the International Accounting Standards Board ("IASB") that were effective at the time of preparing the financial statements and adopted by the European Commission for use inside the EU were applied by the Group. These Group and the Company financial statements have been prepared in accordance with IFRS and the Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Changes in accounting policies
The accounting policies adopted by the Group are consistent with the previous financial year except for the following relevant new and amended IFRSs and IFRIC interpretations effective as of 1 January 2013:

- IFRS 10 *Consolidated Financial Statements, IAS 27 Separate Financial Statements* effective 1 January 2013
- IFRS 11 *Joint Arrangements* effective 1 January 2013
- IFRS 12 *Disclosure of Interests in Other Entities* effective 1 January 2013
- IFRS 13 *Fair Value Measurement*
- IAS 19 *Employee Benefits (Revised)* effective 1 January 2013
- IAS 27 *Separate Financial Statements (Revised)* effective 1 January 2013
- IAS 28 *Investments in Associates and Joint Ventures (Revised)* effective 1 January 2013
- Amendments to IAS 1 *Presentation of Financial Statements*
- Amendments to IFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities* effective 1 January 2013
- Amendments to IFRS 7 and IFRS 9 *Mandatory Effective Date and Transition Disclosures* effective 1 January 2013

Adoption of these standards did notn have any effect on the Group, or result in any changes in accounting policy or additional disclosure.

New IFRSs and interpretations not yet adopted
The following new IFRSs and interpretations, relevant to the Group, have been issued up to the date of signing the 2013 financial statements but are not yet effective and have not been applied in the Group's 2013 financial statements:

- IFRS 9 *Financial Instruments – Classification and Measurement)* effective 1 January 2015
- Amendment to IAS 32 *Offsetting Financial Assets and Financial Liabilities* effective 1 January 2014
- Amendment to IAS 36 *Impairment of Assets* effective1 January 2014

The Group plans to adopt IFRS 9 for the year commencing 1 January 2015. This may impact both the measurement and disclosure of financial instruments. The impact of the adoption of the other IFRSs and interpretations listed above is not expected to have a material impact on the financial position or performance of the Group.

Notes to the consolidated financial statements
for the year ended 31 December 2013

2 BASIS OF PREPARATION (continued)

Significant accounting judgements, estimates and assumptions
The Group has not applied any judgements (other than estimations) having a significant effect on any amounts recognised in the financial statements. The Group has not identified any assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment
Property, plant and equipment is stated at cost, excluding the costs of routine servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred, if the recognition criteria are met. Depreciation is calculated on a straight line basis over the useful life of the assets. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive expense in the financial year the asset is derecognised.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets
Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is expensed as incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and are assessed for impairment whenever there is indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive expense in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Research and development costs
The principal business activity of the Group is the research and development of human therapeutic agents. In order to achieve authorisation from the appropriate regulatory authorities to sell human therapeutic agents, multiple studies and clinical trials must be successfully completed. Such activities require the application of substantial resources and skilled individuals, which may not be available to the Group on a timely basis or at all. The risks associated with the successful completion of a registration programme for a therapeutic agent are substantial. In many cases the Group may choose to license its therapeutic programmes to a third party with substantially greater resources, however the risks associated with successful completion of a registration programme remain high.

Notes to the consolidated financial statements
for the year ended 31 December 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
Research costs are expensed as incurred. Reflecting the risks highlighted above, the Group capitalises internal development costs only to the extent that it is more likely than not that the associated therapeutic agent will obtain authorisation from regulatory authorities. The threshold for such recognition will normally be the successful completion of the final human clinical studies required to complete a registration package for a therapeutic agent. The value of such an intangible asset is capitalised by reference to the costs incurred in creating the asset and then amortised by reference to the useful economic life of, and the projected revenues from, the therapeutic agent. Likewise, the Group may from time to time acquire rights to use the intellectual property of a third party in the conduct of its research and development programmes. The ability to generate future economic benefits from such rights are subject to the successful registration of the programmes using such intellectual property, and therefore the same risks as noted above. Consequently, intangible assets arising from acquired intellectual property rights are subject to the same capitalisation and amortisation criteria as internal development costs, as noted above. The Group has not incurred any costs meeting the capitalisation criteria detailed above to date.

Impairment of assets
The Group assesses at each end of reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or where annual impairment testing for an asset is required, the Group makes an estimate of the assets recoverable amount. An assets recoverable amount is the higher of an assets fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the statement of comprehensive expense in those expense categories consistent with the function of the impaired asset.

An assessment is made at each end of reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive expense unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Available-for-sale investment - quoted equity shares
Assets are designated as available-for-sale if they are not held for operational purposes and are readily tradable on a recognised investment exchange. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

Cash and short-term deposits
Cash and short-term deposits in the balance sheet comprise cash at banks net of outstanding bank overdrafts, cash in hand and treasury deposits. All treasury deposits are held to meet operational needs, have an original maturity of twelve months or less, are readily tradable and are recorded in the balance sheet at their open market value. Consequently, all treasury deposits are classified as cash and cash equivalents.

Notes to the consolidated financial statements
for the year ended 31 December 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent upon the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

a There is a change in contractual terms, other than a renewal or extension of the arrangement;
b A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c There is a change of the determination of whether fulfilment is dependent upon a specified asset; or
d There is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c and d and at the date of renewal or extension for scenario b.

Company as lessee
Operating lease payments are recognised as an expense in the statement of comprehensive expense on a straight-line basis over the lease term.

Pensions and other post-employment benefits
The Company operates a defined contribution pension scheme and pension contributions are charged to the statement of comprehensive expense as incurred.

Share-based payment transactions
From time-to-time the Company issues shares as consideration for rights granted under technology licence agreements and grants share options to employees of the Group. Both types of share-based payment are equity settled transactions as detailed below.

Equity-settled transactions
The cost of equity-settled technology rights transactions is measured by reference to fair value of the equity issued at the date on which the relevant technology rights are granted to the Group. The cost is expensed to the statement of comprehensive expense immediately on obtaining such rights.

The cost of equity-settled transactions with employees and directors is measured by reference to the fair value at the date at which they are granted (after approval by the directors) and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees and directors become fully entitled to the award. Fair value is determined using the Black-Scholes pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each end of reporting period before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous end of reporting period is recognised in the statement of comprehensive expense, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Share-based payment transactions (continued)
Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the statement of comprehensive expense for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the statement of comprehensive expense.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Onerous property lease payments
Provisions for property lease payments are recognised to the extent that the Group's non-cancellable obligations to lease space are substantially in excess of its anticipated requirements. To the extent that excess space is sub-let, the rental income is netted off of the Group's expected cash outflows for the excess space, to the extent that such rental income is contractually committed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax risk-free interest rate.

Warrants
Warrants are measured at the date of issue using the Black-Scholes pricing model taking into account the terms and conditions upon which the instruments were granted (see Note 14). The treatment of warrants issued to Hercules during 2010 is explained in Note 14.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income
Revenue is recognised as interest accrues using the effective interest rate method.

Research and development collaboration income
Receipts under research and development collaboration agreements are recognised upon confirmation from the collaborator that the relevant criteria for receipt of such payments have been met by the Group. Where the income relates to an ongoing obligation it is recognised as income over the period necessary to match the income on a systematic basis to the costs relating to the contractual obligation. Where the income relates to the successful completion of an objective under the collaboration agreement (referred to as a "milestone" receipt), it is fully recognised upon confirmation from the collaborator that the relevant criteria for receipt of such payments have been met by the Group.

Taxation

Current tax
Current tax assets for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period.

The amount recorded in the financial statements as research and development tax credit receivable by the Group for the financial year ended 31 December 2013 is an estimated amount and has not yet been agreed with HM Revenue & Customs.

Notes to the consolidated financial statements
for the year ended 31 December 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax
Deferred income tax is provided using the liability method on temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each end of reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the year when the asset is realised, based on tax rates (and tax laws) enacted or substantively enacted at the end of reporting period.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Backend fees (including 'balloon' interest payments) on interest-bearing loans and redemption premiums on non-interest bearing loans are amortised using the effective interest rate method over the period of the loan. Gains and losses are recognised in the statement of comprehensive expense when the liabilities are derecognised as well as through the amortisation process.

Borrowing costs
Interest payable on loans is recognised as it accrues using the effective interest rate method.

Foreign currency translation
Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of each reporting period. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. All exchange differences arising in the normal course of business are taken to the statement of comprehensive expense as they arise.

Segment information
The Group operates in one business segment, the research and development of novel therapeutic agents for the treatment of cancer and inflammatory disorders. The Group's only revenue stream during the reporting period was research and development collaboration income (Note 4). As a consequence, no segmental analysis of revenue is required for the reporting period; a geographic split of research and development collaboration income is presented based upon the country of domicile of the collaboration partner.

4 REVENUE AND EXPENSES

Revenue comprises the following:

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Milestone revenue (Note 4a)	2,467,670	3,333,335
Research and development collaboration income (Note 4a)	2,666,668	4,002,069
Sales of consumable items	1,200	21,563
	5,135,538	7,356,967

4 REVENUE AND EXPENSES (continued)

Revenue was derived from the following territories:

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
UK	4,695,428	6,915,651
Other European countries	-	-
United States	440,110	441,316
	5,135,538	7,356,967

(a) Research and development collaboration income

During the year ended 31 December 2009, the Group entered into a multi-year research and development collaboration agreement with GlaxoSmithKline ("GSK Agreement") under which the Group will progress four specified research programmes to completion of clinical proof of concept studies. The Group received an upfront payment of £5 million following signature of the GSK Agreement, which was allocated equally over the four research programmes.

During the year ended 31 December 2012, the Group restructured its operations and as a consequence renegotiated the GSK Agreement such that it was no longer under an obligation to progress three of the four original research programmes. As a consequence, revenue that had previously been deferred in respect of these three research programmes was fully recognised during the year ended 31 December 2012. During the year ended 31 December 2013 the GSK Agreement was further renegotiated such that GSK became solely responsible for all research and development activities, with a consequent reduction in the downstream milestone payments and royalties due to the Group. Upon execution of this amendment a signature fee of £1,000,000 was payable to the Group and was recognised in the statement of comprehensive expense for the year ended 31 December 2013. A further £1,500,000 is payable to the Group upon achievement of certain deliverables: this will be recognised in 2014 since these conditions were not met as at 31 December 2013. Reflecting the changes to the GSK Agreement, previously deferred revenue of £883,810 in respect of the original £5 million signature payment (year ended 31 December 2012: £3,354,503) and £143,750 in respect of the provision of research materials (year ended 31 December 2012: £6,250) was recognised in the statement of comprehensive expense for the year ended 31 December 2013.

During the year ended 31 December 2013, the Group earned milestone receipts totalling £2,666,668 (year ended 31 December 2012: £3,333,335) relating to the successful completion of objectives under the GSK Agreement, which were fully recognised in the statement of comprehensive expense.

During the year ended 31 December 2011, the Company entered into a collaboration agreement with Cell Therapeutics, Inc. ("CTI") under which CTI and the Company will jointly develop the Company's lead agent, tosedostat, with CTI receiving exclusive rights to manufacture and commercialise tosedostat in the Americas. The Company received an upfront payment of $5 million (£3,086,801) following signature of the agreement with CTI which is being recognised over the life of the collaboration, namely the duration of the intellectual property rights licensed to CTI. For the year ended 31 December 2013 the Group recognised revenue of £440,110 in the statement of comprehensive expense (year ended 31 December 2012: £441,316). Please refer to Note 22 for further developments regarding the collaboration with CTI.

A reconciliation of deferred income is shown in Note 16.

Notes to the consolidated financial statements
for the year ended 31 December 2013

4 REVENUE AND EXPENSES (continued)

(b) Depreciation and amortisation included in the statement of comprehensive expense

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Included in research and development costs:		
Depreciation and impairment	9,606	21,597
Operating lease expense	357,456	332,618
Operating lease sub-letting income	(108,444)	-
Included in administrative expenses:		
Depreciation and impairment	17,444	17,644
Operating lease expense	107,550	100,078
Operating lease sub-letting income	(32,628)	-
Net foreign exchange differences	228,450	(397,743)

Operating lease expense and sub-letting income disclosed above excludes the provision against future lease costs, utilisation of the provision during the year and subsequent reversal detailed in Note 19.

(c) Employee benefits expense

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Wages and salaries	1,121,614	2,692,334
Social security costs	99,948	305,531
Pension costs	53,463	172,359
Income of share options issued to employees	(2,378)	(15,646)
	1,272,647	3,154,578
Of which:		
Included in research and development costs	395,620	1,432,926
Included in administrative expenses	877,027	947,814
Included in restructuring expenses	-	773,838
	1,272,647	3,154,578

(d) Other operating income/expense

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Profit on disposal of fixed assets	38,122	141,029
Impairment of fixed assets	(51,332)	-
(Loss)/Gain on revaluation of available-for-sale investments	(9,312)	6,727
	(22,521)	147,756

Notes to the consolidated financial statements
for the year ended 31 December 2013

4 REVENUE AND EXPENSES (continued)

(e) Fees paid to auditors
Administrative Expenses include fees paid to the auditors for audit services of £20,000 (year ended 31 December 2012: £30,000), for corporate finance advisory services of £nil (year ended 31 December 2012: £5,000), for other services relating to taxation of £5,000 (year ended 31 December 2012: £8,450) and other accounting services of £2,500 (year ended 31 December 2012: £2,500). The fees for audit services include £4,000 in respect of the audit of the Company's subsidiary (year ended 31 December 2012: £6,000).

(f) Restructuring expenses

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Redundancy costs (Note 1)	-	773,838
Provision/(Release of provision) for onerous lease payments (Note 19)	(908,947)	1,620,840
	(908,947)	2,394,678

5 EMPLOYEES
The average number of employees of the Group during the year was as follows:

	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Research and development	4	26
Administration	3	7
	7	33

6 DIRECTORS' REMUNERATION

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Total emoluments	925,147	788,714
Compensation for loss of office	-	225,160
Employers contributions paid to money purchase pension schemes	16,467	29,446

Total emoluments for the year ended 31 December 2013 include £392,611 (year ended 31 December 2012: £138,489) recognised in respect of bonuses under a long term incentive plan (LTIP) which had either accrued prior to the year end but which were paid after the year end or was the portion of the estimated future payments likely to accrue under the LTIP attributable to the period from initiation of the LTIP to the financial year end. As at 31 December 2013, one director (31 December 2012: one director) was accruing benefits under defined contribution pension schemes.

The amounts in respect of the highest paid director are as follows:

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Total emoluments	752,942	350,371
Employers contributions paid to money purchase pension schemes	16,467	17,500

Notes to the consolidated financial statements
for the year ended 31 December 2013

7 TAXATION (continued)

(a) Current income tax

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
UK corporation tax	-	-
R&D tax credit receivable – draft claim for financial year	155,723	478,083
R&D tax credit receivable – adjustment in respect of prior year	61,874	-
	217,597	478,083

(b) Factors affecting the tax credit for the year

The tax assessed on the loss for the year for the Group is lower than the effective standard rate of UK corporation tax. The differences are explained below:

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Loss before tax	(4,495,411)	(10,193,395)
Loss before tax multiplied by effective standard rate of corporation tax in the UK of 23.25% (year ended 31 December 2012: 24.5%)	(1,045,183)	(2,497,382)
Effect of:		
Disallowed expenses and non-taxable income	(190,592)	359,385
Enhanced deduction – R&D relief	(465,516)	(766,902)
Timing differences between capital allowances and depreciation charges	13,363	44,831
Losses surrendered for R&D tax credit	173,419	555,104
Brought forward tax losses surrendered for current year profits	(155,010)	(539,318)
Unrelieved tax losses	1,513,796	2,366,199
Current tax credit for the period	(155,723)	(478,083)
Adjustment relating to claims for prior periods	(61,874)	-
Total tax credit for the period	(217,597)	(478,083)

The standard rate of UK corporation tax was reduced from 24% to 23% with effect from 1 April 2013, giving rise to an effective rate of tax for the year ended 31 December 2013 of 23.25%.

(c) Deferred income tax

In Budget 2013 the Chancellor of the Exchequer announced a reduction in the UK rate of corporation tax to 23%. This reduced rate applied from 1 April 2013. A further 2% rate reduction to 21% was also announced and this was effective from 1 April 2014. A further reduction to 20% was also enacted in July 2013 and will be effective from 1 April 2015. Consequently, the Group has recognised the impact of the rate change which is substantively enacted at the balance sheet date in its financial statements. The deferred tax asset, calculated at a rate of UK corporation tax of 20% (31 December 2012: 23%), not recognised in the financial statements is as follows:

7 **TAXATION (continued)**

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Decelerated capital allowances/(capital allowances in advance of depreciation)	2,922	(1,952)
Tax losses available	13,119,742	13,868,659
	13,119,742	13,866,707

The deferred tax asset has not been recognised as there is uncertainty regarding when suitable future profits against which to offset the accumulated tax losses will arise. There is no expiration date for the accumulated tax losses.

8 **PROPERTY, PLANT AND EQUIPMENT**

31 December 2013

	Group and Company		
	Leasehold improvements £	Plant and equipment £	Total £
At 1 January 2013, net of accumulated depreciation and impairment	72,445	5,937	78,382
Provision for impairment	(49,899)	(1,433)	(51,332)
Depreciation charge for the year	(22,546)	(4,504)	(27,050)
At 31 December 2013, net of accumulated depreciation and impairment	-	-	-
At 1 January 2013			
Cost	218,645	440,230	658,875
Accumulated depreciation and impairment	(146,200)	(434,293)	(580,493)
Net carrying amount	72,445	5,937	78,382
At 31 December 2013			
Cost	218,645	137,461	356,106
Accumulated depreciation and impairment	(218,645)	(137,461)	(356,106)
Net carrying amount	-	-	-

During the year ended 31 December 2013 a provision for impairment was made against all property, plant and equipment in light of proposed surrender of the Group's lease (implemented in June 2014) leading to the write off of leasehold improvements and the disposal of all remaining computer and office equipment.

During the year ended 31 December 2013 assets which had an original cost of £302,769 and accumulated depreciation of £302,769 were disposed of for proceeds totalling £38,122, leading to a profit on disposal of £38,122.

As at 31 December 2013, fully depreciated assets with an original cost of £356,106 were still in use (31 December 2012: £416,066).

Notes to the consolidated financial statements
for the year ended 31 December 2013

8 PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2012

	Group and Company		
	Leasehold improvements	**Plant and equipment**	**Total**
	£	**£**	**£**
At 1 January 2012, net of accumulated depreciation and impairment	94,991	31,141	126,132
Disposals	-	(8,509)	(8,509)
Depreciation charge for the year	(22,546)	(16,695)	(39,241)
At 31 December 2012, net of accumulated depreciation and impairment	72,445	5,937	78,382
At 1 January 2012			
Cost	218,645	1,100,316	1,318,961
Accumulated depreciation and impairment	(123,654)	(1,069,175)	(1,192,829)
Net carrying amount	94,991	31,141	126,132
At 31 December 2012			
Cost	218,645	440,230	658,875
Accumulated depreciation and impairment	(146,200)	(434,293)	(580,493)
Net carrying amount	72,445	5,937	78,382

As part of its restructuring (see Note 1) the Group disposed of surplus plant and equipment during the year ended 31 December 2012. These assets, which had an original cost of £660,086 and accumulated depreciation of £651,577, were disposed of for proceeds totalling £149,538, leading to a profit on disposal of £141,029.

The useful life of the assets is estimated as follows:

Leasehold improvements	The shorter of 20 years or the lease term
Plant and equipment	3 to 5 years

9 INVESTMENTS

	Company	
	31 Dec 2013	**31 Dec 2012**
	£	**£**
Investment in subsidiary company	5,000,002	5,000,002

Name of subsidiary	Country of incorporation	Class of shares held	Proportion held	Activity
MacroTarg Ltd	UK	Ordinary	100%	Research and development

The cost of investment in subsidiary is recorded at fair value.

Notes to the consolidated financial statements
for the year ended 31 December 2013

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	£	£	£	£
Trade receivables	226,836	4,000,371	226,836	4,000,371
VAT recoverable	150,106	-	150,106	-
Other debtors	46,180	328,216	46,180	328,216
Amounts due from subsidiary company	-	-	-	-
	423,122	4,328,587	423,122	4,328,587

Amounts due from subsidiary company represent an inter-company loan account with the Company's wholly-owned subsidiary company, MacroTarg. The loan carries interest on the average balance outstanding each month at 2% above the base lending rate of Barclays Bank plc. The Company does not have a right to recall the loan except in the event that MacroTarg ceases to be a wholly-owned subsidiary of the Company, in which case the Company has the right to request repayment of the loan on 90 days notice. The amount due from MacroTarg for the year ended 31 December 2013 of £2,895,815 (year ended 31 December 2012: £3,670,623) has been fully provided for in the Company's accounts since MacroTarg has negative net assets and is therefore judged unlikely to be able to repay the loan balance should it be recalled. The movements on the inter-company loan account were as follows:

	Loan account	Provision	Net balance
	£	£	£
At 1 January 2012	6,333,660	(6,333,660)	-
Movement in year	(2,663,037)	2,663,037	-
At 31 December 2012	3,670,623	(3,670,623)	-
Movement in year	(774,808)	774,808	-
At 31 December 2013	2,895,815	(2,895,815)	-

11 CASH AND SHORT TERM DEPOSITS

	Group and Company	
	31 Dec 2013	31 Dec 2012
	£	£
Cash at bank and in hand	37	1,787
Escrowed cash	-	175,000
Short term deposits	193,630	45,484
	193,667	222,271

As at 31 December 2012 cash totalling £175,000 was held by a third party in escrow to provide certain bonus payments to employees of the Company in the event that the Company ceased trading prior to 1 January 2013, and was therefore unavailable to the Group at that date. The full amount of escrowed cash was received by the Group on 5 January 2013.

Notes to the consolidated financial statements
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11 CASH AND SHORT TERM DEPOSITS (continued)

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for periods between one day and twelve months depending upon the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Finance revenue comprises the following:

	31 Dec 2013 £	31 Dec 2012 £
Interest receivable on cash at bank and short term deposits	1,472	3,306
Interest charged on overdue payments	-	307
	1,472	3,613

12 SHARE-BASED PAYMENT PLANS

Enterprise Management Incentive ('EMI') scheme
All employees of the Group participate in the Company's EMI share option scheme. Options granted under this scheme vest over a period of four years from the commencement date and, to the extent they have vested, are only exercisable in the event of an initial public offering of the Company's shares or trade sale of the Company. The exercise price of the options is the market value of the Company's ordinary shares at the date of grant of the option. The options expire after 10 years from their commencement date. The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year.

	Year ended 31 Dec 2013		Year ended 31 Dec 2012	
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the period	2,640,500	£0.19	2,915,000	£0.20
Granted during the period	-	-	-	-
Forfeited during the period	(85,000)	£0.24	(274,500)	£0.21
Outstanding at the end of the period	2,555,500	£0.19	2,640,500	£0.19
Exercisable at the end of the period	-	-	-	-

The options outstanding at 31 December 2013 had a weighted average remaining contractual life of 2.2 years (31 December 2012: 3.1 years) and have exercise prices in the range £0.12 to £0.40 per share (31 December 2012: £0.12 to £0.40 per share). Included within the outstanding options are 282,500 options issued to former directors of the Company on an unapproved basis under the rules of the EMI scheme.

The fair value of options is measured at the date of grant using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The Company did not grant any options during the current or prior financial year.

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12 SHARE-BASED PAYMENT PLANS (continued)

The Group does not have any historical data relating to the expected period to exercise of the options and therefore has estimated this based upon industry experience, with a 7 year period assumed for senior management and a 5 year period assumed for all other employees. The expected volatility has been estimated based upon historical data from companies with a similar profile in the biotechnology sector. The risk free interest rate represents a weighted average of the yield for gilts issued by the UK government at the date of grant of each option. The weighted average share price is determined by performing a share valuation at the date of grant of the options. The expense calculation includes an allowance for forfeiture of 10% of the total share options granted other than to senior management, for which the forfeiture rate is estimated as 0%. The fair value calculation does not include any allowance for dividends as the Company has no available profits for distribution.

The credit to the statement of comprehensive expense relating to options during the year is detailed in Note 4.

13 ISSUED CAPITAL AND RESERVES

Authorised capital

	31 Dec 2013 Number	31 Dec 2012 Number	31 Dec 2013 £	31 Dec 2012 £
Ordinary shares of £0.001 each	6,900,000	6,900,000	6,900	6,900
Convertible preferred ordinary shares of £0.001 each	13,000,000	13,000,000	13,000	13,000
B-1 convertible preferred ordinary shares of £0.001 each	3,875,969	3,875,969	3,876	3,876
C convertible preferred ordinary shares of £0.001 each	22,500,000	22,500,000	22,500	22,500
D convertible preferred ordinary shares of £0.001 each	8,571,428	8,571,428	8,571	8,571
			58,847	58,847

Issued capital

	31 Dec 2013 Number	31 Dec 2012 Number	31 Dec 2013 £	31 Dec 2012 £
Issued and fully paid:				
Ordinary shares of £0.001 each	1,557,200	1,557,200	1,557	1,557
A ordinary shares of £0.001 each	700,000	700,000	700	700
B ordinary shares of £0.001 each	450,000	450,000	450	450
C ordinary shares of £0.001 each	200,000	200,000	200	200
E ordinary shares of £0.001 each	190,000	190,000	190	190
A convertible preferred ordinary shares of £0.001 each	1,766,874	1,766,874	1,767	1,767
B convertible preferred ordinary shares of £0.001 each	10,629,340	10,629,340	10,629	10,629
B-1 convertible preferred ordinary shares of £0.001 each	3,875,969	3,875,969	3,876	3,876
C convertible preferred ordinary shares of £0.001 each	22,058,823	22,058,823	22,059	22,059
D convertible preferred ordinary shares of £0.001 each	8,571,428	8,571,428	8,571	8,571
			49,999	49,999

13 ISSUED CAPITAL AND RESERVES (continued)

Ordinary shares
The Articles of Association allow for the sub-categorisation of the Company's ordinary shares into A, B, C, D, or E ordinary shares. These sub-classes have rights identical to the ordinary shares other than being subject to a vesting period of between 13 months and 59 months from the vesting commencement date. As at 31 December 2013 and 31 December 2012 there were no ordinary shares that had not yet vested. The shares issued subject to vesting can be repurchased by the Company at the original subscription price if the employee leaves employment prior to vesting. Although such an arrangement has the characteristics of an early-exercised share option, no compensation charge on such share arrangements has been recorded as it is immaterial over the vesting period. The unvested shares have been reflected as issued share capital in the balance sheet and not included in the share option data disclosed in Note 12.

The Company did not issue any ordinary shares during the years ended 31 December 2013 and 31 December 2012.

The Company has reserved 3,130,000 ordinary shares (2012: 3,130,000 ordinary shares) for issue under options (see Note 12), of which 2,555,500 options were issued and outstanding at 31 December 2013 (31 December 2012: 2,640,500).

Convertible preferred ordinary shares
The convertible preferred ordinary shares carry the right to receive a fixed non-cumulative dividend payable semi-annually, to the extent that the Company has distributable reserves, at the rate of 7% per annum on the subscription price for the A convertible preferred ordinary shares and 8% per annum on the subscription price for the B, B-1, C and D convertible preferred ordinary shares. Each convertible preferred ordinary share can be converted to one ordinary share automatically upon the flotation or initial listing of the Company on a stock exchange. Upon a liquidation or sale of the Company where the proceeds are below the subscription price of the convertible preferred ordinary shareholders, those shares become participating shares in that the distribution of any proceeds after settling arrears of dividends will be applied firstly in returning the capital subscribed by the convertible preferred ordinary shareholders, with the balance being distributed amongst the ordinary and convertible preferred ordinary shareholders as if conversion to ordinary shares had taken place. In the event that new shares are issued for consideration less than their respective subscription prices, the B, B-1, C and D convertible preferred ordinary shareholders are entitled to a bonus issue of shares. In all other respects the ordinary and convertible preferred ordinary shares rank pari passu. The convertible preferred ordinary shares are classified as equity based on analysis of the terms described above.

During the financial years ended 31 December 2013 and 31 December 2012, the Company did not issue any new convertible preferred ordinary shares.

Nature and purpose of other reserves
'Other reserves' of £224,913 (year ended 31 December 2012: £227,291) comprises the cumulative charge for share options issued under the Company's EMI share option scheme (see Note 12).

Notes to the consolidated financial statements

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14 WARRANTS

The fair value of a warrant is measured at the date of issue using the Black-Scholes pricing model, taking into account the terms and conditions upon which the warrant was granted.

During the year ended 31 December 2010, the Company issued a warrant instrument to subscribe for preferred shares in the Company to Hercules Technology Growth Capital ("Hercules") (see Note 17). The amount of shares subscribable under the warrant instrument is calculated as 8% of the value of the secured loan provided by Hercules (i.e. $800,000) divided by the lower of £1.75, the price of the last financing round, and the price of the Company's next bona fide financing round. The type of shares issuable under the warrant instrument are D convertible preferred ordinary shares or, in case the company issues a new class of shares under a new financing round, such new class of shares at the option of Hercules. Since, at the time of issue of the warrants, the relevant subscription price of the lower of £1.75 and the price of the Company's next bona fide financing round is considered by the directors to represent the fair value of D convertible preferred ordinary shares at that date, and the warrant instrument is not in return for services nor linked to the secured loan, no accounting arises on issue or throughout the life of the warrant instrument.

As at 31 December 2013 there were 249,999 unexpired warrants to subscribe for C convertible preferred ordinary shares at a price of £1.35 per share (31 December 2012: 249,999 unexpired warrants to subscribe for C convertible preferred ordinary shares at a price of £1.35 per share) and 325,261 unexpired warrants to subscribe for D convertible preferred ordinary shares at a price of £1.75 per share (31 December 2012: 325,261 unexpired warrants to subscribe for D convertible preferred ordinary shares at a price of £1.75 per share).

15 TRADE AND OTHER PAYABLES

	Group and Company	
	31 Dec 2013	31 Dec 2012
	£	£
Trade payables	347,062	418,387
Taxation and social security	16,495	21,144
VAT payable	-	651,872
Other payables and accruals	952,880	431,591
	1,316,437	1,522,994

Other payables and accruals include outstanding contributions payable to the defined contribution pension scheme of £5,321 (31 December 2012: £7,772).

The terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest bearing and are settled based upon pre-agreed credit terms, typically within 30 days from the date of the invoice
- Taxation and social security creditors and contributions payable to the defined contribution pension scheme are non-interest bearing and are due during the month following payment of the salaries to which they relate
- Other payables are non-interest bearing and primarily comprise accruals for liabilities incurred but not yet invoiced

Notes to the consolidated financial statements
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16 DEFERRED INCOME

	Group		Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	£	£	£	£
Research and development collaboration income:				
• At 1 January	3,314,927	6,966,996	2,287,367	6,027,470
• Received during the year	-	350,000	-	-
• Released to the statement of profit or loss and comprehensive expense	(1,467,670)	(4,002,069)	(440,110)	(3,740,103)
	1,847,257	3,314,927	1,847,257	2,287,367
Of which:				
• Current portion	440,110	643,979	440,110	440,110
• Non-current portion	1,407,147	2,670,948	1,407,147	1,847,257
	1,847,257	3,314,927	1,847,257	2,287,367

Details of income released to the statement of comprehensive expense are shown in Note 4.

17 SECURED LOAN

	Group and Company 31 Dec 2013 £	Group and Company 31 Dec 2012 £
$10 million secured loan: amount due within one year	-	2,696,097
$10 million secured loan: amount due after one year	-	-
	-	2,696,097
$10 million secured loan: amortisation of 'balloon' interest payment, due within one year	-	401,287
	-	3,097,384

On 26 April 2010 the Group entered into an agreement with Hercules Technology Growth Capital ('Hercules') for a secured loan of up to $15 million. The initial tranche of the loan of $10 million was drawn down on 28 April 2010; the additional tranche of up to $5 million was not drawn down by its expiry date of 31 May 2011 and lapsed. There are 12 monthly payments of interest only commencing from the drawdown date followed by 30 equal monthly payments of capital and interest commencing 1 June 2011 with an annual interest rate of the prime rate reported in the Wall Street Journal plus 7.75%, subject to a minimum annual interest rate of 12.0%. At the maturity date of the loan there is a 'balloon' interest payment of $800,000, which was amortised on an effective interest basis over the period of the loan. Interest payable on the secured loan for the year ended 31 December 2012 includes $207,637 (or £174,685 at the year end exchange rate) relating to the amortisation of the 'balloon' interest payment. As a condition of the loan facility, Hercules received warrants to subscribe for preferred shares with market value of 8% of the loan amount (see Note 14). The loan was repaid in full on 11 December 2013.

The fair value of the loan at 31 December 2012 was estimated as £3,136,900. The fair value of the loan was estimated by discounting future cash flows using rates currently available for debt with similar terms and remaining maturity. The carrying values of all other financial assets and liabilities of the Group approximate to fair value.

Notes to the consolidated financial statements
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17 SECURED LOAN (continued)

Finance expense comprises the following amounts:

	31 Dec 2013 £	31 Dec 2012 £
Interest payable on $10 million secured loan less accrued interest relating to balloon payment	238,225	749,960
Amortisation of balloon payment on $10 million secured loan	-	127,705
Amortisation of redemption premium on unsecured loan (see Note 18)	5,907,495	8,887,966
	6,145,720	9,765,631

18 UNSECURED LOAN

	Group and Company 31 Dec 2013 £	Group and Company 31 Dec 2012 £
Unsecured loan: amount due after one year	7,618,000	7,618,000
Unsecured loan: amortisation of redemption premium, due after one year	14,795,461	8,887,966
	22,413,461	16,505,966

On 20 January 2012 the Group entered into an agreement for the issue of non-convertible, non-interest bearing, redeemable loan notes ('Loan Notes') up to a value of £6 million to its existing investors ('First Tranche Loan Notes'). The First Tranche Loan Notes are subordinated to the Hercules secured loan (see Note 17) and are repayable at a premium ranging between 300% to 500% of the principal value upon the earlier of a sale of the Group or 20 January 2014. The full £6 million in value of First Tranche Loan Notes was issued during 2012. On 15 August 2012 the loan note agreement was extended to allow an additional £2 million of Loan Notes to be issued ('Second Tranche Loan Notes'). The Second Tranche Loan Notes are senior to the First Tranche Loan Notes and are repayable at a premium of 500% of the principal value upon the earlier of a sale of the Group or 20 January 2014. During the year ended 31 December 2013 the Loan Note holders agreed to extend the repayment date to 20 January 2015.

The redemption premium on the Loan Notes is being treated as interest and is being amortised on an effective interest basis over the period of the loan notes. For the year ended 31 December 2013, £5,907,495 (year ended 31 December 2012, £8,887,966) was recognised as a component of finance expense in the statement of comprehensive expense (see Note 17) based upon the extended repayment date of 20 January 2015.

As detailed in Note 23 'Events after the end of the reporting period', subsequent to the year end the Loan Note holders agreed to extend the repayment date to 20 January 2016 with no change to the repayment amount.

The fair value of the unsecured loan at 31 December 2013, has been estimated as £29,172,727, based on the principal and redemption premium repayable on 20 January 2015 (the contractual repayment date at 31 December 2013) of £32.1 million, discounted at a risk-adjusted interest rate of 10%.

19 PROVISIONS

The financial statements contain a provision for the proportion of future lease payments relating to the unoccupied part of the facility which is available to let up to the date of the surrender of the lease, less the minimum committed sub-lease income to that date. The net liability has been discounted, using a risk-free interest rate of 0.85%, in order to estimate a present value for these liabilities as at 31 December 2013 and 31 December 2012. Details of movements in the provision are as follows:

19 PROVISIONS (continued)

	Group and Company 31 Dec 2013 £	Group and Company 31 Dec 2012 £
Provision for onerous lease payments:		
• Brought forward	1,620,840	-
• Provided in year	-	1,620,840
• Utilised in year	(323,754)	-
• Released unutilised in year	(908,917)	-
	388,169	1,620,840

The Group entered into two sub-letting agreements for a proportion of the vacant laboratory and office space during the year ended 31 December 2013 and a further sub-letting agreement after the year end. The Company's lease of its premises expires on 24 March 2017 and there is no earlier break clause. As detailed in Note 22 'Events after the end of the reporting period' the Company surrendered this lease on 24 June 2014.

20 OTHER FINANCIAL COMMITMENTS

Operating leases – Group as lessee
The future minimum rental payable under the operating lease for the Group's premises at 93 Milton Park, reflecting contractual break clauses, is as follows:

	Land and buildings 31 Dec 2013 £	Land and buildings 31 Dec 2012 £
Not later than one year	557,777	557,777
Later than one year and not later than five years	1,147,110	1,668,087
Later than five years	-	-
	1,704,887	2,225,864

The Group does not have any operating leases other than that for its premises. The lease was surrendered on 24 June 2014.

Finance leases – Group as lessee
The Group did not have any leasing arrangements classifying as finance leases at 31 December 2013 or 31 December 2012.

Capital commitments
Contracted for capital commitments as at 31 December 2013 amounted to £nil (31 December 2012: £nil).

21 RELATED PARTY TRANSACTION DISCLOSURES

Funds managed by Abingworth Management Limited ("Abingworth") held shares in the Company and unsecured loan notes as at 31 December 2013. T J Haines is a director of Abingworth and has a financial interest in Abingworth's funds.

Funds managed by Essex Woodlands Health Ventures ("Essex") held shares in the Company and unsecured loan notes as at 31 December 2013. T Sykes is a director of Essex and has a financial interest in Essex's funds.

Compensation of key management personnel of the Company is detailed in Note 6. Director's interests in employee share option schemes are detailed in the Directors' Report.

22 **EVENTS AFTER THE END OF REPORTING PERIOD**

During January 2014 the Company entered into a further sub-lease of its facility at 93 Milton Park, providing a stream of rental income to offset in part the expense of the unused space in the facility. In June 2014 the Company made a capital payment to the landlord in return for the surrender of the lease and release from all associated obligations. In October 2014 the Group divested its tosedostat programme to CTI for a one-off payment of approximately $21 million in CTI shares. In November 2014 the Group divested its CHR-2845 programme and ESM technology to the CRT Pioneer Fund for an up front cash payment of £350,000 along with a share of future revenues generated from these programmes.

23 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY**

In line with similar companies in the biotechnology sector, the Group derives long-term financing through the issue of new equity and loan financing. The Group's principal financial instruments other than its secured loan and unsecured loan notes comprise trade payables and trade receivables which arise directly from its operations and are not designed as a means of raising finance for the Group's operations. The Group has various financial assets such as receivables and cash and short-term deposits, which arise directly from its operations. The Group does not consider that its financial instruments gave rise to any material financial risks during the financial years ended 31 December 2013 and 31 December 2012, other than foreign currency risk arising from its $10 million secured loan. An overview of areas of potential risk are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its secured loan and finance income from its cash at bank and short-term deposits (see Note 11). The Group's secured loan, which was repaid in December 20-13, was at a floating rate (see Note 17) based upon the US Prime rate: the cost of hedging this was considered prohibitive, particularly in the current environment of low, stable interest rates: consequently exposure to changes in base interest rates was not considered to be material. The Group's cash and short-term deposits are largely sterling denominated; interest earned is therefore influenced by the Bank of England base interest rates and will depend on the remaining duration of any fixed-rate treasury deposits placed at the time of any rate change and the average cash and cash equivalents for the remainder of the financial year following the change. The interest rate profile of the Group's financial assets and liabilities is as follows:

	31 Dec 2013			31 Dec 2012		
	Floating	Fixed	Total	Floating	Fixed	Total
	£	£	£	£	£	£
Cash and short term deposits	193,667	-	193,667	222,271	-	222,271
Secured loan (Note 17)	-	-	-	(2,696,097)	-	(2,696,097)

Unsecured loan notes outstanding at 31 December 2013 and 2012, together have a fixed repayment amount of £32.1 million, including the redemption premium which is treated as finance over the period of the loan.

Foreign currency risk

The Group does not have any overseas operations and therefore does not have any exposure to the retranslation of the assets and liabilities of overseas operations. The Group purchases goods and services from a number of international suppliers and therefore has transactional currency exposures. During the year ended 31 December 2010 the Group put in place a $10 million secured loan with Hercules (see Note 17), which gave rise to a material exposure to the US dollar. The Group was unable to hedge this entire exposure during the years ended 31 December 2013 and 31 December 2012, since the size and duration of the forward contracts required to effect such hedging would have required provision of a cash security deposit that was incompatible with the terms of the secured loan. During the year ended 31 December 2013 and 31 December 2012 the Group was, however, able to put in place, from time to time, simple forward exchange contracts for the purchase of US dollars in order to fund certain of the payments due to Hercules. There were no outstanding forward exchange contracts at 31 December 2013.

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23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY (continued)

The Group intends to continue using currency hedging arrangements, when available, to mitigate exposure to movements in the US dollar, either by way of forward purchase contracts relating to scheduled contractual payments or by holding part of its cash and short term deposits as US dollars. It is the Group's policy to not enter into any forward purchase contracts until the underlying supply agreements have been executed.

The aggregate carrying amount of foreign currency denominated monetary assets and liabilities held by the Group and company, which are not denominated in functional currency, as at the end of the reporting period are as follows:

	31 Dec 2013		31 Dec 2012	
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
US dollar ($)	161,086	-	348,022	3,152,205
Euro (€)	279	10,469	279	31,415
	161,365	10,469	348,301	3,183,620

The following table illustrates the sensitivity to a reasonably possible change in the currencies above, compared to sterling, of the Group's loss before tax due to the changes in the fair value of monetary assets and liabilities. A positive value indicates a decrease in the Group's loss before tax:

	Change in rate	31 Dec 2013 £	31 Dec 2012 £
US dollar	+5%	(7,671)	133,533
	-5%	8,478	(147,588)
Euro	+5%	486	1,482
	-5%	(536)	(1,639)

Credit risk

The sole revenues of the Group during the financial years ended 31 December 2013 and 31 December 2012 were recognition of research and development collaboration income from the arrangements with GSK and CTI, all of which have been settled in cash (see Note 4); consequently the Group did not have any exposure to trade credit risk during this financial year. With respect to credit risk arising from the other financial assets of the Group, which primarily comprise cash and short-term deposits, the exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these investments. The Group has in place investment guidelines outlining authorised counterparties in order to minimise such risk.

Liquidity risk

The Group monitors its funding requirements through preparation of short-term, mid-term and long-term forecasts. All short-term deposits are immediately convertible to liquid funds without penalty and are recorded in the balance sheet at their open market value. Please refer to Note 1 "Going Concern" regarding the Directors' assessment of liquidity for further information.

Capital management

In line with similar companies in the biotechnology sector at a similar stage of development, the Group is loss-making and does not have any significant trading revenues. Reflecting this, the Group funds its operations through a combination of equity issuance to and unsecured loan financing from its equity investors, secured venture loan financing, and government grants and also through funds generated by technology or product licensing activities and manages such activities to avoid breaching the conditions attached to its secured loan (Note 17). In light of its ongoing funding requirements, the Group does not have a policy of paying dividends to shareholders except for potential payments to holders of the Company's convertible preferred ordinary shares as permitted in its Articles of Association (Note 13).