

PLETHORA SOLUTIONS HOLDINGS plc
ANNUAL REPORT AND ACCOUNTS

2008

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HIGHLIGHTS

Announcement of Licensing Agreement and Restructuring

- Sciele Pharma, Inc., ('Sciele') a subsidiary of Shionogi Corporation, acquires global rights for PSD502
- Under the terms of the agreement, Sciele has made additional upfront payments of \$8.4m
- Sciele will also share development costs for PSD502 for non-US territories and pay a royalty on future revenues to Plethora
- Financial restructuring of the business, including a mutually satisfactory resolution with Paul Capital Healthcare resulting in elimination of indebtedness to Paul Capital Healthcare
- Divestment of Timm Medical Technologies, Inc.
- Agreement with ETV Capital S.A. to repay the remaining element of venture debt by June 2010
- Group debt reduced by over 90%. Cash and short term investments at 31 December 2008 of £0.5m (2007: £2.6m), increased to £2.9m by 30 April 2009

Highlights for year ended 31 December 2008

- Positive clinical data from a Phase III study of PSD502 in Europe for the treatment of premature ejaculation
- Positive clinical data from a PSD506 urge incontinence study and a PSD503 stress incontinence study

Outlook

Plethora has eliminated a significant proportion of the Group's debt leaving a business which has an expectation of future royalty income from PSD502 in addition to a potentially valuable development pipeline of urology products.

The financial climate over the last two years has been challenging for small healthcare businesses. Following the recent combination of transactions, cash resources have increased, gearing has been reduced and the Board believes that the Group is now in a position to enhance shareholder value.

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

Introduction

The Group has announced a number of transformational changes to the business which include a global agreement for PSD502, significant financial restructuring of the business, financial results for year ended 31 December 2008 and a change in board composition.

Strategic Overview

Plethora was established to pursue the development of products for the treatment and management of urological conditions. Urology represents a market with substantial poorly met medical needs. The Group rapidly developed a portfolio of men's and women's health programmes in the areas of sexual dysfunction, urinary incontinence and gynaecological pain.

The Group's lead programme, PSD502 for the treatment of premature ejaculation (PE), was quickly recognised as a potential treatment in a previously undeveloped indication and a method of treatment which showed significant likelihood of achieving clinical efficacy.

In 2006, the Company acquired Timm Medical Technologies, Inc. ('Timm'); a US-based business which markets a medical device for the treatment of erectile dysfunction (ED). The acquisition of Timm was intended to provide a sales and marketing infrastructure to provide Plethora with the ability to share in the full commercial upside of bringing PSD502 through development. Post acquisition, this business has demonstrated steady sales growth by focussing on marketing the ErecAid[®] vacuum erection device to those patient groups who are unable to be treated with oral drugs for the treatment of ED. In the financial year ending 31 December 2008, Timm sales increased to £6.5m (2007: £5.8m) with a gross margin of 86%, which was in line with expectations. Since its acquisition by the Company, Timm has seen annual revenues increase from \$9.3m in 2005 pre-acquisition to \$11.8m in 2008. Margins have also improved from 78% in 2005 to 86% for 2008. Timm recorded a loss for the year of £3.1m (2007: profit of £0.4m).

On the strength of the Timm acquisition, the Group was able to acquire a license to the US rights to Invicorp[®] (PSD510), an injectible drug also for the treatment of ED. While the advent of oral drugs for ED significantly expanded the market there remains a medical need for alternative therapies; particularly in men contraindicated or refractory to PDE5 inhibitors.

In 2007, following a successful Phase II study of PSD502 in PE, Plethora granted a license to Sciele Pharma, Inc. to market PSD502 in the United States.

Continued weakness in the public equity market and a lack of appetite to invest in small cap healthcare companies has meant that the Company has had to use a variety of non-equity based financial instruments to fund its development programmes. Concurrent with the Sciele agreement in mid 2007, Plethora raised £4m via a venture debt facility from ETV Capital S.A. ('ETV') which provided working capital to enable the Group to progress the development of both PSD502 and PSD510. With a worsening public equity climate, in April 2008 the Group received \$15m from a revenue interest financing agreement with Paul Capital Healthcare ('PCH') to provide the necessary capital to support ongoing PSD502 Phase III studies. This instrument had its repayment linked to Timm revenues and future income from PSD502 and PSD510.

With the PSD502 Phase III study drawing to a close in September 2008, and against a backdrop of turmoil in the

financial markets, a further £1.3m (net of expenses) was provided by Merlin Biosciences Fund III, PCH and ETV by way of extensions and amendments to existing financing instruments and convertible loan notes. This provided the capital to see the European PSD502 Phase III study through to a successful conclusion.

Over the last year the Board has sought to deliver development projects to their value inflection points and ensure that Company can move forward as a financially secure entity which can deliver value to shareholders. Our objectives in the most recent round of transactions have been to secure a meaningful future revenue stream, reduce gearing so that value accrues to shareholders and secure the necessary funds to continue key development activities. The Board believes that the restructuring announced today meets these objectives.

PSD502

In November 2008, the Company announced that its European Phase III double-blind placebo controlled study of PSD502 for the treatment of premature ejaculation (PE) had met its three co-primary endpoints of Intra-vaginal Ejaculation Latency Time ('IELT') and Index of Premature Ejaculation ('IPE'; Ejaculatory Control and Sexual Satisfaction domains).

The successful European study is one of two pivotal Phase III studies running in parallel with identical protocols. The second Phase III study is being conducted in North America and is expected to complete in the first half of 2009. Each Phase III study is a multi-centre, randomised, double blind, placebo-controlled efficacy study and the programme is expected to recruit a total of 540 patients across the two studies. Patients are treated for a 12 week period with an optional open label phase of up to 9 months. The European study was conducted with 300 randomised patients across 32 investigational centres in 4 countries across Europe. Of these, 265 patients also entered the optional 9 month open label study.

Initial analyses of the European study show that PSD502 produced a highly clinically and statistically significant increase from baseline in all three co-primary study endpoints. There were no serious adverse events and only 2.6% of patients reported treatment-related adverse events in the PSD502 group compared with 1% in the placebo. PSD502 was well tolerated and there were no systemic adverse events.

It was hoped that with conclusive clinical proof of the efficacy of PSD502 that the Company would be able to raise a material sum of capital to invest in the pipeline of assets. This was not possible. Instead the Company raised £0.4m in December from two institutional investors and a further £1m post the reporting period by way of convertible loan notes. This cash provided resources to be able to complete recruitment into the US Phase III study of PSD502 and progress licensing discussions.

Global PSD502 Agreement and Restructuring

In April 2009, Plethora and Sciele announced the amendment of the 2007 US license agreement for PSD502, and, as a result, Sciele acquired US rights to the product. In a further extension to the relationship, Sciele has now acquired global rights to the product. This will provide for additional income of \$8.4m and give Plethora a continued royalty interest in the eventual commercialisation of the product in international territories outside of the US and Japan. The Company believes this royalty interest should deliver substantial value to shareholders. This agreement will bring total Plethora PSD502 receipts from Sciele to date to \$29.1m.

Given turmoil in financial markets, stakeholders and shareholders alike have recognised the need to reduce

Plethora's level of debt. Consequently, of the \$13.7m received in March, \$6.7m was paid to ETV and PCH and of the \$8.4m to be received under the Global transaction, \$5.4m will be paid to ETV and PCH.

In addition to the international royalty payable on milestones and royalties, as a part of the compromise reached with PCH, PCH will receive a royalty on EU PSD502 revenues paid directly by Sciele.

As PSD502 is commercialised in Europe and the rest of the world, Plethora will receive a royalty based on milestone payments and net sales of PSD502 for territories outside of the USA and Japan. This royalty rate will vary with territory. The Company will also receive a contribution to non-US development costs from Sciele through to regulatory filing. Sciele will be responsible for filing with regulatory authorities in the US, Europe and internationally.

Timm was acquired to provide a distribution channel for PSD502 in the USA. Following completion of the amended US License with Sciele the board has reconsidered the strategic value of Timm and has concluded that the Group can gain most long-term value by treating it as a financial asset to reduce gearing.

Under the Revenue Finance Agreement of March 2008, PCH was entitled, upon any of several triggering events, including transfer of the PSD02 asset, to receive a minimum return of 2.5 times its original loan value, giving rise to an effective liability of \$39.4m at 31 December 2008. Given the need to reduce gearing and to ensure the sustainability of the Group, Plethora has entered into a mutually satisfactory compromise with PCH whereby PCH will release Plethora from all indebtedness in consideration for (i) a share of the upfront payments received from Sciele; (ii) the right to receive royalties from Sciele; (iii) the acquisition of Timm (a payment of \$1 in cash was stated in the acquisition agreement); and (iv) the right to receive certain royalties on the commercialisation of PSD510.

Following the completion of this transaction Plethora has also agreed a repayment schedule with ETV under which it will have repaid the last outstanding £1m of their facility by June 2010. Following that point Plethora will have no other borrowings other than convertible loan notes entered into in September 2008 and January 2009.

As a result of this restructuring Plethora has reduced its indebtedness by approximately 90% - from £27.7m prior to these transactions to a current level of £2.8m.

Financial Results

The Group recorded a loss for the year of £16.4m (2007: £10.5m). Due to the decision to divest Timm, the results for the Group's subsidiary are included, under IFRS, as a discontinued operation and recorded separately from the Group results. Consequently, comparative figures for the Group's trading for the year ending 31 December 2007 have been restated.

The Group's loss of £16.4m arises from a loss of £13.3m (2007: £10.9m) from continuing operations relating to drug development activities and a loss of £3.1m (2007: profit £0.4m) from Timm.

The Group loss increased primarily as a result of increased R&D expenditure of £9.2m (2007: £8.2m) reflecting the instigation of two Phase III studies for PSD502 in the US and Europe. In addition, the Group recorded foreign exchange losses of £2.5m (2007: gain £13,000). These increased costs were offset by reduction in Administrative Expenses to £2.5m (2007: £3.2m) as the Group sought to manage costs. Finally, under the License agreement with Sciele, the Group received £0.6m (2007: £13,000) for the re-imbusement of development costs incurred on the PSD502 US development programme.

Timm recorded a loss for the year of £3.1m (2007: profit £0.4m). This loss is largely as a result of finance costs

of £2.7m (2007: £59,000); the majority of which was incurred in relation to the Revenue Finance Agreement. Timm's operating results show revenue up 12.6% to £6.4m (2007: £5.8m) and gross profit up 11.7% to £5.5m (2007: £5.0m). The results for 2008 saw an improvement due to the decline in Sterling versus the US dollar. Underlying trading saw revenues increase by 3% to \$11.8m (2007: \$11.5m). Timm recorded an operating loss for the year of £115,000 (2007: profit £387,000). This was due to an increased sales and marketing costs of £4.3m (2007: £3.2m). This increase was caused by a decision to expand and replace a proportion of the sales force. Net assets of Timm at 31 December 2008 were £2.5m, excluding PCH debt which has been released as part of the overall compromise agreement.

The Group's cash balances totalled £0.5m at 31 December 2008 (2007: £2.6m). The cash outflow of £2.1m shows the net effect of the increased loss for the year mitigated, in part, by the effects of raising new funds through the PCH facility.

At the year end the Group recorded total borrowings of £3.6m (2007: £4.6m), being the amounts due to ETV and Merlin Biosciences Fund III. In addition, an amount of £10.9m, excluding accrued interest, was due to PCH under the Revenue Finance Agreement. However, due to the presentation of Timm as held for resale, this is shown as a part of the liabilities held for resale on the consolidated balance sheet. Although the balance on the PCH facility is recorded as \$15.75m, due to the minimum return requirements under the PCH facility of 250% of the amount drawn, the Group would be liable to make total repayments to PCH of \$39.4m.

Board Changes

With the change in Group structure and in an effort to continue to minimise costs, the Company has decided to reduce the size of its Board of Directors. The Chairman, Stuart Wallis, has announced his intention to retire from the Board at the end of the forthcoming AGM. He will be replaced by Bill Robinson, who is currently a Non-Executive Director of the Board. Three other non-executive directors, Dr Ann Hayes, Mark Docherty and Neil Stafford have also agreed to retire from the Board. We would like to thank Ann, Mark and Neil for their support for the Company. We would also like to welcome Ronald Openshaw as a Non-Executive Director. Ronald has been interim CFO since February 2009 and prior to that worked with the Company in an advisory capacity.

Outlook

As a result of the transactions announced today the Group:

- Has reduced debt liabilities by approximately 90%
- Has secured sufficient cash resources through the amended agreement with Sciele to complete development of PSD502 clinical development
- Has divested its Timm subsidiary consistent with revised Group strategy and as part of the compromise to reduce the financing burden on the business as, following the divestment of US rights, this asset now had a lower strategic importance to the Group

With the immediate future of the Group and PSD502 secured, the Board would like to thank those stakeholders who supported the Group over the last year against a backdrop of an ever worsening economic environment.

Looking forward, in addition to supporting Sciele's product development and PSD502 related business activities, the Group will seek to realise additional value from PSD510 and the women's health portfolio. Licensing discussions have been initiated with potential partners for two of the products in the women's health portfolio –

PSD597 for the treatment of interstitial cystitis and PSD503, a potential 'on demand' treatment for women suffering from mild to moderate SUI, which has completed a Phase II trial successfully in women suffering from stress incontinence.

Finally, throughout a very turbulent period Plethora employees, particularly the development team, have continued to drive projects forward along challenging timelines and they should be congratulated on executing clinical programmes in difficult circumstances and producing excellent results such as those reported for PSD502.



Stuart Wallis
Non-Executive Chairman



Steven Powell
Chief Executive Officer

26 May 2009

The Directors present their annual report together with the audited financial statements for the Group for the year ended 31 December 2008.

Principal activity

The Group's principal activity is the development and sale of drugs and medical devices for the diagnosis, treatment and management of urological disorders.

Business review

The business review is detailed in the Chairman's and Chief Executive's statement.

The Group recorded a loss for the year after taxation of £16.4 million (2007: £10.5 million).

The Directors do not recommend the payment of a dividend (2007: nil).

Principal business and non financial risk

With regard to the Group's development activities, the business risks are that development activities do not progress to the forecast timetable or that clinical trials provide negative results. The principal performance indicators are the results of clinical trials, the results of which are detailed in the Chairman's and Chief Executive's Statement.

Financial risks and management

The Group's financial risk management policies are disclosed in Note 21 to the financial statements.

Post balance sheet events

Since 31 December 2008 the following significant post-balance sheet events have occurred. Full details of each of these are set out in Note 28 of the financial statements:

- On 16 January 2009 the Group secured a short term loan from Sciele Pharma, Inc ('Sciele') which has subsequently been repaid
- On 16 February 2009, the Group issued 1,000,000 £1 loan notes to certain institutional investors
- On 1 April 2009 the Group announced an amendment to the US license Agreement for PSD502 with Sciele, received \$13.7 million under the agreement and subsequently repaid certain borrowings
- On 26 May 2009 the Group announced the completion of a Global Agreement for PSD502 with Sciele for non-US rights
- On 26 May 2009 the Group announced a compromise with Paul Capital Healthcare to release the Group from the Revenue Finance Agreement. As part of the compromise Paul Capital Healthcare acquired the Group's subsidiary, Timm Medical Technologies, Inc.

Directors

The Directors of the Company who served during the year ended 31 December 2008 were as follows:

S M Wallis

M Docherty

N B Stafford

A G Hayes

W J Robinson

S J Powell

M G Wyllie

B R Hoy (resigned 8 August 2008)

D J Ellam (appointed 8 August 2008, resigned 19 February 2009)

Share capital

Details of the Company's share capital, including the number of shares issued in the period under review, are given in Note 23 to the financial statements. The Group's policy for managing capital and financing to support the activities of the Group is detailed in Note 22 to the financial statements.

Substantial shareholdings

The only interests in excess of 3% of the issued share capital of the Company, which have been notified as at 22 May 2009, were as follows:

	Ordinary shares of 1 pence each Number	Percentage of capital %
Merlin Biosciences Fund III LP	8,059,180	26.2
The Bank of New York Limited	3,078,494	10.0
HSBC Global Custody Nominee (UK) Limited	2,909,048	9.4
Forest Nominees Ltd	2,902,194	9.4
Chase Nominees Ltd	2,169,406	7.0
Sciele Pharma Cayman Limited	1,772,505	5.8
Merlin Biosciences Fund III 2007 LP	1,501,760	4.9
Euroclear Nominees Limited	1,450,000	4.7
Vidacos Nominees Limited	1,004,000	3.3

Health and safety

We fully recognise our responsibility to ensure that we only allow our workers to work in as safe a working environment as possible and implement a system of checks to ensure our clients comply with Health and Safety legislation.

Payment to suppliers

The Group does not have a standard or code which deals specifically with the payment of suppliers.

Group trade payables at the year end amount to 54 days of average supplies (2007: 52 days). The Company's trade payables are nil days (2007: nil days).

Directors' responsibilities for the group financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union (IFRSs).

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. In so far as the Directors are aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with section 489 of the Companies Act 2006.

ON BEHALF OF THE BOARD



S J Powell

Director

26 May 2009

The Directors value the principles of good governance and have applied principles of corporate governance commensurate with its size.

Directors

The Directors support the concept of an effective board leading and controlling the Group. The Board is responsible for approving Group policy and strategy. It meets on a regular basis and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to independent professional advice at the Group's expense.

The Board consists of two executive directors, who hold the key operational positions in the Group and five non-executive directors, who bring a breadth of experience and knowledge. This provides a balance whereby the Board's decision making cannot be dominated by an individual. The Chairman of the Board is Stuart Wallis and the Group's business is run by Steven Powell and Mike Wyllie. The biographies of the Directors are set out below:

Stuart Wallis (Non-Executive Chairman)

Stuart is a Chartered Accountant and member of the Institute of Taxation and is currently chairman of BCS Global Networks Limited and LGC Holdings Limited. He is also a Director of Herons Park Limited, Needtest Limited and Ashridge Automobiles Limited.

He has been Chairman of a number of publicly listed companies including Protherics plc, LLP plc, Yorkshire Group plc, SSL International plc and Communisis plc, as well as a number of private businesses. He was formerly Chief Executive of Fisons plc and was also an Executive Director of Bowater plc, Octopus plc and Hestair plc.

Mark Docherty (Non-Executive Director)

Mark Docherty joined the Plethora Board in June 2007. He is currently a Director of Excalibur Fund Managers Limited, a European venture capital firm specialising in investment in life science companies. Mark is also currently a Non-Executive Director of Biowisdom Limited, Pantherics Limited and ReNeuron Group plc. Mark is a Chartered Accountant and, before joining Excalibur, worked previously at Arthur Andersen. He has a degree in Mechanical Engineering from Sheffield University.

Neil Stafford (Non-Executive Director)

Neil Stafford has been a Director of Plethora Solutions since December 2003 and is its co-founder. Neil held positions of increasing responsibility with American Cyanamid, Hoffmann-La Roche and Monsanto Corporation. He stepped down as Global Business Director of Monsanto Corporation in January 2000 in order to develop his own business portfolio. Neil helped establish Exemplar, the US market leader in the outsourcing of corporate healthcare, led the buy-out of Medscreen from its US parent and was responsible for the spin-out of Vientia Genetics Limited from a leading UK teaching hospital. Neil is an advisor to a number of leading private equity houses and institutions in London and New York.

Dr Ann Hayes (Non-Executive Director)

Ann worked for 22 years for GlaxoWellcome (now GlaxoSmithKline), initially in research, with particular expertise in the areas of CNS and analgesia. Her last position in GlaxoWellcome was an international role as a Director in Drug Discovery, with accountability for determining long-term discovery strategy across all therapeutic areas, and with additional responsibilities in portfolio management and in re-engineering discovery process. Dr Hayes is currently an independent consultant, working extensively with small Pharma and biotechnology companies. She is a non-executive board member of Curidium Ltd. She has over 100 publications.

William (Bill) Robinson (Non-Executive Director)

Bill Robinson recently retired as executive Vice President of Global Operations for UCB, a leading global biopharmaceutical company where he was responsible for all UCB's commercial and medical affairs. He continues to work in an advisory capacity for UCB. He was a Non Executive Director for Sciele Pharma Inc. of Atlanta, Georgia, USA, until its successful sale to Shionogi a major Japanese Pharmaceutical company, in November 2008. Prior to joining Eli Lilly he worked for Bourroughs Wellcome and Servier, both based in the UK.

Dr Steven Powell (Chief Executive Officer)

Steven joined Plethora as CEO in 2004. Prior to this he was a Director of the Gilde Biotechnology and Nutrition Fund, a European venture capital fund focused on investments in early-stage companies. In addition to his private equity experience, Steven has 20 years of experience in the pharmaceutical and life sciences sector, latterly as CEO of UK quoted biopharmaceutical company KS Biomedix plc until its acquisition by Xenova Group plc. He has worked in the pharmaceutical and life sciences industries in research and development, commercial and general management roles. Steven has also helped to establish and finance a number of small life science businesses in a non-executive role.

Dr Mike Wyllie (Chief Scientific Officer)

Mike Wyllie is a co-founder of Plethora Solutions. He has over 25 years of experience in senior management level positions within the pharmaceutical industry with American Home Products and Pfizer. He has considerable experience in all aspects of drug discovery and development and has been involved the successful commercialisation of products including Cardura (doxazosin) and Viagra (sildenafil). Dr Wyllie sits on The Clinical Trial Design and Future Therapies in BPH Committees of the World Health Organisation International Consultations on Urological Disease and he is an assistant editor of the British Journal of Urology in the Sexual Medicine Section. He has over 100 publications and is named as the inventor of in excess of 80 patents.

Relations with shareholders

The Directors recognise shareholders' interest in the Group's strategy and performance. The Annual General Meeting will be used to communicate with private investors and they are encouraged to participate. The Directors will be available to answer questions. Separate resolutions will be proposed on each issue so that they can be given proper consideration and there will be a resolution to approve the annual report and accounts.

Internal control

The Board is responsible for maintaining a system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

An audit committee, chaired by Mr William Robinson, meets half yearly and is responsible for ensuring that the financial performance of the Group is monitored and reported on, as well as meeting the auditors and reviewing any reports from the auditors regarding accounts and internal control systems.

The Board has considered the need for an internal audit function but has decided the size of the Group does not justify it at present. However, it will keep the decision under annual review.

The key features of the Group's system of internal control are as follows:

- the Group is headed by an effective Board, which leads and controls the Group;
- there is a clear division of responsibilities in running the Board and running the Group's business;
- the Board includes a balance of executive and non-executive Directors; and
- the Board receives and reviews on a timely basis financial and operating information appropriate to being able to discharge its duties.

Going concern

In considering the appropriate basis of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

At 31 December 2008 the Group had cash balances of £0.5 million excluding amounts held in Timm Medical Technologies, Inc. which is classified as an asset held for resale. On 30 April 2009 this had increased to £2.9 million in part by the receipt of amounts under the amendments to the Sciele US License Agreement. On the same date amounts were due to Paul Capital Healthcare, excluding accrued interest, of \$9.75 million (£6.6 million); ETV of £2.0 million; Merlin Biosciences Fund III of £0.75 million under a convertible loan note due 2010 and an amount of £1.0 million due under a convertible loan note due 2011.

The Directors have prepared detailed cash flows for the period to 30 June 2010. The cash flow forecasts show that the Group has adequate working capital for the forecast period. The key assumptions underlying the conclusion that the Group has adequate working capital are set out in detail Note 2 to the financial statements.

Directors' remuneration

The Group recognises that Directors' remuneration is of legitimate concern to the shareholders and is committed to following current best practice. The Group operates within a competitive environment, performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation.

Policy on executive Directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. Remuneration also reflects the Directors' responsibilities and contain incentives to deliver the Group's objectives. A separate remuneration committee has been established comprising the Non-Executive Directors and is chaired by Ann Hayes. The remuneration of the Directors was as follows:

	Prof										Total £'000
	S M Wallis £'000	Sir C T Evans £'000	M Docherty £'000	N B Stafford £'000	A G Hayes £'000	W J Robinson £'000	S J Powell £'000	M G Wyllie £'000	B R Hoy £'000	D Ellam £'000	
2008											
Salary and fees	50	–	20	40	25	30	184	170	54	65	638
Bonuses	–	–	–	–	–	–	–	–	20	–	20
Benefits in kind	–	–	–	–	–	–	6	6	5	3	20
Pension	–	–	–	–	–	–	15	10	6	6	37
Total	50	–	20	40	25	30	205	186	85	74	715
2007											
Salary and fees	50	8	12	40	25	25	180	130	106	–	576
Bonuses	–	–	–	–	–	–	50	33	28	–	111
Benefits in kind	–	–	–	–	–	–	6	6	7	–	19
Pension	–	–	–	–	–	–	18	–	11	–	29
Total	50	8	12	40	25	25	254	169	152	–	735

Part of the fees paid to S M Wallis are paid to Stuart Wallis Associates.

Part of the fees paid to A G Hayes are paid to Anne Hayes Consulting Limited.

Fees for Sir C T Evans and M Docherty are paid to Merlin Scientific Services LLP and Merlin Biosciences Limited.

During 2008, the board agreed to postpone receipt of certain fees and salaries to preserve the Group's cash resources. In the case of the Non-Executive Directors, no payments were made from 1 October 2008 to 30 March 2009. In addition, Dr Powell agreed to postpone receipt of 26% of his salary for the same period. Furthermore, each of Dr Powell and Dr Wyllie agreed to postpone receipt of their bonus payments for the year ended December 2007 being £112,900 and £28,225, respectively. At the year end, the Group owed the amounts set out on the following table to Directors, or those entities which provided their services, under this arrangement.

	£000
S J Powell	127
M G Wyllie	28
N B Stafford	20
M Docherty	18
S M Wallis	13
W J Robinson	8
A G Hayes	6
D J Ellam	–
	220

Benefits in kind

Executive Directors are entitled to pension contributions of 8% of their basic salary per annum and are entitled to participate in any medical health scheme operated by the Group.

Bonuses

Executive Directors are entitled to a bonus of up to a maximum of 50% of basic salary per annum at the discretion of the remuneration committee based on the achievement of such measures of performance of the Group as the remuneration committee considers appropriate.

Notice periods

The notice periods for S M Wallis and S J Powell are 12 months.

The notice period for M G Wyllie is 6 months.

The notice periods for M Docherty, N B Stafford , A G Hayes and W J Robinson are 1 month.

Share option incentives

The Group has adopted an Enterprise Management Incentive share option scheme and granted individual option agreements to motivate and retain key personnel.

At 31 December 2008 the following options were held by the Directors:

	At beginning of period	Granted in period	At end of period	Exercise price
S M Wallis	777,777	–	777,777	135p
M Docherty	–	–	–	–
N B Stafford	–	–	–	–
A G Hayes	–	–	–	–
W J Robinson	–	–	–	–
S J Powell	1,213,968	120,983	1,334,951	59p to 175p
M G Wyllie	613,015	111,476	724,491	59p to 202p
B R Hoy (Resigned)	245,333	–	245,333	110p to 175p
D Ellam (Resigned)	–	350,000	350,000	59p

The share options may be exercised in whole or in part at any time during the period between the third and tenth anniversary of the date of grant.

The market price as at 31 December 2008 was 25.9p and the range during the year was 12p to 78p.

Report of the Independent Auditor to the Members of Plethora Solutions Holdings plc

We have audited the Group financial statements of Plethora Solutions Holdings plc for the year ended 31 December 2008 which comprise the Group income statement, the Group balance sheet, the Group cash flow statement, the Group statement of changes in equity and Notes 1 to 28. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of Plethora Solutions Holdings plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities for the Group financial statements.

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

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Separate opinion in relation to IFRSs

As explained in Note 2 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended.

GRANT THORNTON UK LLP

REGISTERED AUDITOR

CHARTERED ACCOUNTANTS

BIRMINGHAM

26 May 2009

For the year ended 31 December 2008

	Note	2008 £'000	2007 £'000 (restated)
Revenue	3	640	13
Cost of sales		–	–
Gross profit		640	13
Administrative expenses			
– research and development expenses		(9,203)	(8,196)
– exchange (losses)/gains		(2,480)	13
– other administrative expenses		(2,538)	(3,195)
		(14,211)	(11,378)
Operating loss	3	(13,581)	(11,365)
Finance costs	7	(534)	(398)
Finance income	7	46	193
Loss from continuing operations for the year before taxation	4	(14,069)	(11,570)
Tax credit	8	763	644
Loss from continuing operations		(13,306)	(10,926)
(Loss)/profit from discontinued operations	9	(3,082)	448
Loss for the year attributable to equity shareholders	3	(16,388)	(10,478)
Total and continuing loss per ordinary share			
Basic and diluted loss per share from total operations	10	(58.1)p	(38.5)p
Basic and diluted loss per share from continuing operations	10	(47.2)p	(40.1)p
Basic and diluted (loss)/profit per share from discontinued operations	10	(10.9)p	1.6p

The accompanying accounting policies and notes form an integral part of these financial statements.

For the year ended 31 December 2008

	Share capital £'000	Share premium £'000	Other reserves £'000	Translation reserve £'000	Share based payment reserve £'000	Retained loss £'000	Total £'000
Balance at 1 January 2007	258	16,072	4,908	(113)	564	(14,320)	7,369
Exchange movement on translation of foreign entities	-	-	-	(13)	-	-	(13)
Net losses recognised directly in equity	-	-	-	(13)	-	-	(13)
Loss for the year	-	-	-	-	-	(10,478)	(10,478)
Total recognised expense for the year	-	-	-	(13)	-	(10,478)	(10,491)
Issue of new shares	22	4,123	-	-	-	-	4,145
Cost of issue of new shares	-	(92)	-	-	-	-	(92)
Employee share based compensation	-	-	-	-	736	-	736
Balance at 31 December 2007	280	20,103	4,908	(126)	1,300	(24,798)	1,667
Exchange movement on translation of foreign entities	-	-	-	(128)	-	-	(128)
Net losses recognised directly in equity	-	-	-	(128)	-	-	(128)
Discontinued operations	-	-	-	254	-	-	254
Loss for the period	-	-	-	-	-	(16,388)	(16,388)
Total recognised expense for the year	-	-	-	126	-	(16,388)	(16,262)
Issue of new shares	28	392	-	-	-	-	420
Cost of issue of new shares	-	(239)	-	-	-	-	(239)
Employee share based compensation	-	-	-	-	492	-	492
Balance at 31 December 2008	308	20,256	4,908	-	1,792	(41,186)	(13,922)

The accompanying accounting policies and notes form an integral part of these financial statements.

For the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Assets			
Non current			
Goodwill	11	–	1,463
Other intangible assets	12	–	4,192
Property, plant and equipment	13	46	231
Deferred tax	18	–	213
Long term other receivables		–	24
		46	6,123
Current			
Inventory	15	–	308
Trade and other receivables	16	418	1,303
Corporation tax		–	632
Cash and cash equivalents	17	515	2,595
		933	4,838
Assets for disposal classified as held for sale	9	7,028	–
Total assets		8,007	10,961
Liabilities			
Current			
Trade and other payables	19	(4,280)	(3,458)
Borrowings	20	(2,162)	(1,951)
		(6,442)	(5,409)
Non-current			
Borrowings	20	(1,436)	(2,627)
Deferred tax	18	–	(1,258)
		(1,436)	(3,885)
Liabilities for disposal classified as held for sale	9	(14,051)	–
Total liabilities		(21,929)	(9,294)
Net (liabilities)/assets		(13,922)	1,667
Equity			
Share capital	23	308	280
Share premium		20,256	20,103
Other reserves		4,908	4,908
Translation reserve		–	(126)
Share based payment reserve		1,792	1,300
Retained loss		(41,186)	(24,798)
Total (deficit)/equity		(13,922)	1,667

The financial statements were approved by the Board of Directors on 26 May 2009

Steven Powell

Director



The accompanying accounting policies and notes form an integral part of these financial statements.

For the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Cash outflows from operating activities			
Loss after taxation		(16,388)	(10,478)
Finance income		534	(220)
Finance costs		(46)	484
Adjustment for foreign exchange		380	(1)
Equity settled share options		492	736
Depreciation of plant and equipment – continuing operations		44	96
Depreciation of plant and equipment – discontinued operations		10	–
Amortisation – discontinued operations		464	464
Change in inventories		31	(122)
Change in trade and other receivables		170	(559)
Change in trade and other payables		4,121	1,411
Taxation credit per income statement		(763)	(764)
Cash outflow from operations		(10,951)	(8,953)
Interest paid		(508)	(433)
Income taxes received		1,084	533
Net cash outflows from operating activities		(10,375)	(8,853)
Cash flows from investing activities			
Purchases of property, plant and equipment		(3)	(128)
Net debt reclassified as asset held for resale	9	9,051	–
Interest received		46	211
Net cash inflow from investing activities		9,094	83
Cash (outflow)/inflow from financing activities			
Proceeds from issue of shares		420	4,145
Proceeds from receipt of borrowings		1,000	3,873
Repayment of borrowings		(1,980)	–
Share issue costs		(239)	(92)
Net cash (outflow)/inflow from financing activities		(799)	7,926
Net decrease in cash and cash equivalents		(2,080)	(844)
Cash and cash equivalents at beginning of period		2,595	3,439
Cash and cash equivalents at end of period	17	515	2,595

The accompanying accounting policies and notes form an integral part of these financial statements.

For the year ended 31 December 2008

1. GENERAL INFORMATION

Plethora Solutions Holdings plc and its subsidiaries' principal activities are the development and sale of drugs and medical devices for the diagnosis, treatment and management of urological disorders.

Plethora Solutions Holdings plc, a public limited company, is incorporated and domiciled in the United Kingdom.

The financial statements for the year ended 31 December 2008 (including the comparative for the year ended 31 December 2007) were approved by the Board of Directors on 26 May 2009. Amendments to the financial statements are not permitted after they have been approved.

2. ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared using the required measurement bases specified under International Financial Reporting Standards (IFRS) and in accordance with applicable IFRS as adopted by the European Union and IFRS as issued by the International Accounting Standards Board.

Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liabilities, income and expense. The measurement bases are more fully described in the accounting policies below.

The accounting estimates and assumptions are consistent with the Group's latest approved budget forecast where applicable. Judgements are based on the information available at each balance sheet date. All estimates are based on the best information available to management.

Going concern

In considering the appropriate basis on which to prepare the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

At 31 December 2008 the Group had cash balances of £0.5 million excluding amounts held in Timm which is classified as held for resale. On 30 April 2009 this had increased to £2.9 million in part by the receipt of amounts under the amendments to the Sciele US License Agreement. On the same date amounts were due to Paul Capital Healthcare, excluding accrued interest, of \$9.75 million (£6.6 million); ETV of £2.0 million; Merlin Biosciences Fund III of £0.75 million under a convertible loan note due 2010; and an amount of £1.0 million due under a convertible loan note due 2011.

The Directors have prepared detailed cash flows for the period to 30 June 2010. The cash flow forecasts show that the Group has adequate working capital for the forecast period. These cash flow projections make the following

For the year ended 31 December 2008

key assumptions:

- the Group concentrates its development efforts on the completion of PSD502;
- the Group continues to make payments to its debt providers in accordance with agreed schedules;
- no material costs are incurred in relation to the other development programmes unless new sources of finance provide the capital for such expenditure;
- no milestone or development income is received from Sciele under the Collaboration Agreement or from the development of PSD502 outside the United States;
- no monies are received from licensing of any programme (other than that received from Sciele under the Collaboration Agreement);
- no additional funds are secured from any financing activities; and
- the Group is released from all further commitments to Paul Capital Healthcare under the Revenue Finance Agreement.

Whilst not including any revenue in the forecast, the Group is actively seeking to enter into licensing arrangements for each of the remaining development programmes and talks are ongoing with a number of parties. Further, the Group will assist Sciele in its business development activities outside the United States and it is hoped that agreements can be reached which may generate additional upfront and licensing income to the Group.

In addition, having successfully developed and licensed PSD502, it is the Group's intention to seek additional funds to permit development of the Group's assets over and above that forecast.

Consequently, the Directors have concluded that it is appropriate to prepare the Group's financial statements on the going concern basis.

Standards and interpretations not yet applied by the Group

The following new Standards and Interpretations, which are yet to become mandatory, have not been applied in the Group's financial statements.

- IAS 1 Presentation of Financial Statements (revised 2007) – effective from 1 January 2009
- IAS 23 Borrowing Costs (revised 2007) – effective from 1 January 2009
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) – effective from 1 July 2009
- IFRS 3 Business Combinations (Revised 2008) – effective from 1 July 2009
- IFRS 8 Operating Segments – effective from 1 January 2009
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation – effective from 1 January 2009
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations – effective from 1 January 2009

Based on the Group's current operations and accounting policies, management does not expect material impacts on Group's financial statements when the standards and interpretations become effective.

For the year ended 31 December 2008

Significant accounting estimates and judgements

Certain estimates and judgements need to be made by the Directors of the Group which affect the results and position of the Group as reported in the financial statements. Estimates and judgements are required for example as at the reporting date not all liabilities have been settled and certain assets/liabilities are recorded at fair value which requires a number of estimates and assumptions to be made.

The major areas for judgements within the financial statements are as follows:

- preparing the financial statements on a going concern basis
- the treatment of research costs
- the recognition of a tax receivable for research and development tax refunds
- classification of assets held for sale

The reasons that the Directors believe it is appropriate to prepare the financial statements on a going concern basis are detailed above.

The research costs of the Group are incurred for the development and sale of drugs and medical devices for the diagnosis, treatment and management of urological disorders. At the time the costs are incurred, the Directors have concluded that there is insufficient evidence to support the capitalisation of these costs. It is unclear whether the products will achieve medical and safety approval and yield income in excess of costs incurred to date. As such, the costs are not capitalised.

Within the United Kingdom, a tax credit is claimed for research costs incurred in the year. The Group financial statements do not include a receivable for these research tax credit until the claim has been agreed with the local tax authorities.

The classification of assets held for sale is based on the Directors' judgement of the likely outcome in relation to the sale of Timm Medical Technologies, Inc.

There are no major areas of estimation.

Consolidation and investments in subsidiaries

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through voting rights. The consolidated financial statements of the Group incorporate the financial statements of the parent Company as well as those entities controlled by the Group by full consolidation.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the valuation at fair value of all identifiable assets and liabilities, including contingent liabilities of its subsidiaries, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair value, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's

For the year ended 31 December 2008

share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Material intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Revenue recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer.

The recognition of income received, such as license fees, contract research fees, up front payments and milestone payments is dependent on the terms of the related arrangement, having regard to the ongoing risks and rewards of the arrangement and the existence of any performance or repayment obligations with any third party.

The Group recognises revenue when persuasive evidence of an arrangement exists; delivery has occurred or services have been provided reflecting the work performed; the fee fixed and determinable and collectability is reasonably assured. Amounts received are recognised immediately as turnover taking into account substantial risks, ongoing performance obligations and whether amounts received are refundable. Amounts are deferred over an appropriate period where these conditions are not met.

Inventory

Inventories are stated at the lower of cost and net realisable value.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in income statement and is not subsequently reversed.

Non current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The result for the year relating to assets held for sale are disclosed as discontinued operations.

For the year ended 31 December 2008

Impairment

The Group's goodwill is subject to annual impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual intangible assets or cash-generating units that include goodwill with an indefinite useful life are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Intangible assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the Group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the Group are not reliably measurable. Where the individual fair value of the complimentary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

Intangible amortisation

Intangible assets are amortised over the following periods:

- | | |
|------------------------|----------|
| – Patents and licences | 10 years |
| – Trademarks | 15 years |
| – Non compete contract | 3 years |

Foreign currencies

These financial statements are presented in UK Sterling which is the functional currency of the Company.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction.

For the year ended 31 December 2008

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with through the income statement.

The results of overseas subsidiary undertakings are translated at the average exchange rates and the balance sheets of such undertakings are translated at the year end exchange rates. Exchange differences arising on the retranslation of opening net assets of overseas subsidiary undertakings are taken directly to the translation reserves. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

Property, plant and equipment

Leasehold property improvements, computer equipment and fixtures and fittings are carried at acquisition cost less subsequent depreciation and impairment losses. Depreciation is charged on these assets on a straight line basis over the estimated useful economic life of each asset.

The useful lives of leasehold property improvements, equipment and fixtures can be summarised as follows:

Leasehold property improvements	period of the lease
Computer equipment	3 years
Fixtures and fittings	3 to 5 years

Residual assets values are reassessed annually.

Leases

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreements, i.e. depreciation methods and useful lives, correspond to those applied to comparable acquired assets. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs. Finance charges represent a constant periodic rate of interest on the outstanding balance of the finance lease liability.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred. The Group does not act as a lessor.

Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claim from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

For the year ended 31 December 2008

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised in conjunction with the initial recognition of goodwill on acquisitions. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

Employee benefits

(i) Defined contribution pension scheme

Pensions to employees are provided through contributions to individual personal pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of personal pension plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(ii) Other employee benefits

Short-term employee benefits, including holiday entitlement are included in current pension and other employee obligations at the undiscounted amount that the group expects to pay as a result of the unused entitlement.

Financial assets

The Group's financial assets include cash and trade and other receivables.

All financial assets are recognised when the entity becomes party to the contractual provisions of an instrument. All financial assets are recognised on their settlement date. All financial assets are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate.

Interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

For the year ended 31 December 2008

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows. No general provisions are made against trade receivables.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and overdrafts as well as short term highly liquid investments such as money market instruments and bank deposits.

Equity

Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The other reserve is a merger reserve.

The translation reserve represents exchange differences arising on the retranslation of opening net assets of overseas subsidiary undertakings.

Retained earnings include all current and prior period results as disclosed in the income statement.

Share based employee remuneration

All share-based payment arrangements are recognised in the consolidated financial statements. The Group operates equity-settled share-based remuneration plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based remuneration is ultimately recognised as an expense in income statement with a corresponding credit to the share based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

For the year ended 31 December 2008

Financial liabilities

The Group's financial liabilities include a convertible acquisition loan, a convertible third party loans and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance cost" in the income statement. Financial liabilities are initially recognised at fair value and subsequently measured at amortised costs using the effective interest rate.

Convertible loan notes are recorded at fair value, fair value being proceeds less transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Embedded derivatives

Embedded derivatives identified in host contracts are separated from the host contract when they are not closely linked to the contract and are valued at fair value through the income statement. The embedded derivative is revalued to fair value at each reporting period with the income statement charge/credit being disclosed in finance income/costs and the asset/liability being separately shown in the notes to the balance sheet.

Research costs

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
- the Group intends to complete the intangible asset and use or sell it
- the Group has the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. Research costs, including license fees, constitute pure research. At the point the research is incurred there is no certain future income stream for the project therefore the expenditure is written off as it is incurred.

For the year ended 31 December 2008

3. SEGMENTAL REPORTING

The Group's revenue and loss from continuing operations were all derived from the principal activity of development and sale of products for the diagnosis, treatment and management of urological disorders. This activity was undertaken solely within the United Kingdom. All of the Group's revenue has been derived from external customers.

4. LOSS FOR THE YEAR

The loss on ordinary activities before taxation is stated after charging:

	2008 £'000	2007 £'000
Auditors' remuneration:		
Audit services		
– company	25	25
– subsidiary undertakings	26	17
Non-audit services	13	–
Corporate taxation	5	5
Operating lease charges:		
Land and buildings	121	114
Depreciation and amortisation:		
Property, plant and equipment – owned	44	34

5. DIRECTORS AND EMPLOYEES

	2008 Number	2007 Number
The average number of persons (including Directors) employed by the Group during the period was:		
Administration and management staff	7	7
Development employees	15	17
	22	24
Staff costs during the period were as follows:	£'000	£'000
Wages and salaries	1,656	1,830
Social security costs	168	170
Other pension costs	59	63
Share based compensation	288	736
	2,171	2,799

Remuneration in respect of directors, including the highest paid director, is disclosed in the Report on Remuneration. There are no key managers in the Group other than the Directors.

For the year ended 31 December 2008

6. SHARE BASED EMPLOYEE REMUNERATION

The Group operates share based payment schemes for employee remuneration known as the Executive Share Option Scheme (ESOP).

The Executive Share Option scheme (ESOP) is available to all employees and directors of the group subject to the discretion of the Remuneration Committee of Plethora Solutions Holdings plc and subject to the rules of the scheme, the key points of which are as follows:

- options are granted for the shares of Plethora Solutions Holdings plc to employees of subsidiary companies;
- options are exercisable between three and ten years of being granted;
- except in certain limited circumstances, all options lapse if an employee leaves the Group; and
- exercise of options is not subject to any specific performance criteria.

All share based employee remuneration will be settled in equity. The Group has no other legal or constructive obligation to repurchase or settle the options in cash. Share options and weighted average exercise price are as follows for the reporting periods presented:

	31 December 2008		31 December 2007	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at start of period	4,186,165	144	3,433,381	138
Granted	1,097,528	59	872,218	175
Lapsed	(236,681)	175	(119,434)	180
Outstanding at end of period	5,047,012	124	4,186,165	144

The Group has the following outstanding share options and exercise prices:

	31 December 2008			31 December 2007		
	Number	Weighted average exercise price (pence)	Weighted average contractual life (months)	Number	Weighted average exercise price (pence)	Weighted average contractual life (months)
Date exercisable and (option life):						
2008 (up to 2013)	3,020,653	129	–	3,020,653	129	4
2009 (up to 2014)	306,028	201	4	311,723	200	16
2010 (up to 2015)	622,803	175	18	853,789	175	30
2011 (up to 2016)	1,097,528	59	30	–	–	–

For the year ended 31 December 2008

Share options are exercisable between values of 59p and 202p. The fair value of options granted was determined using the Black-Scholes valuation model. Significant inputs into the calculations were:

- exercise prices as detailed above;
- 52.7% to 45.8% (2007: 52.7% to 45.8%) volatility based on expected and historical share price;
- a risk free interest rate of 5.1% to 4.1 % (2007: 5.1% to 4.1%);
- all options are assumed to vest after three years from the date of grant of the options;
- an expected leavers rate is estimated for each option scheme and reviewed at each reporting date;
- dividends in line with current levels.

In total £288,000 of employee remuneration expense has been included in the consolidated income statement for 31 December 2008 (31 December 2007: £736,000) which gave rise to the share based payment reserve. No liabilities were recognised due to share based payment transactions.

A charge of £175,000 is included within the consolidated income statement for share options granted to a third party as consideration for work performed for 31 December 2008 (31 December 2007 £nil).

7. FINANCE INCOME AND EXPENSE

	2008	2007
	£'000	£'000
Bank interest receivable	46	193
Finance income	46	193
Fair value charge for convertible borrowings option	–	(20)
Effective interest charge on borrowings	(527)	(366)
Other charges	(7)	(12)
Finance expense	(534)	(398)

8. TAXATION ON LOSS ON ORDINARY ACTIVITIES

The tax credit is based on the loss for the year and represents:

	2008	2007
	£'000	£'000
UK corporation tax	–	–
Adjustments in respect of prior years	763	644
Overseas tax	–	–
Current tax credit for the years	763	644
Deferred taxation (note 18)	–	–
Tax on loss on continuing operations	763	644

For the year ended 31 December 2008

The tax assessed is different than the standard rate of corporation tax in the UK of 21% (2007: 20%).

The differences are explained as follows:

	2008 £'000	2007 £'000
Loss on ordinary activities before tax	(14,069)	(11,242)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2007 : 20%)	(2,954)	(2,248)
Effect of:		
Expenses not deductible for tax purposes	20	20
Depreciation in excess of capital allowances	10	10
Unutilised tax losses	2,924	2,218
Foreign taxation	–	121
Adjustments in respect of prior years	763	644
	763	765

At 31 December 2008 the Group had tax losses of £35 million (2007: £21 million) to offset against future profits within the United Kingdom.

9. DISCONTINUED OPERATIONS

On 26 May 2009 the Group announced that it had reached a compromise with Paul Capital Healthcare under which it would be released from further obligations under the Revenue Finance Agreement, one part of this compromise is the disposal of its subsidiary Timm Medical Technologies, Inc. ("Timm") to Paul Capital Healthcare. Details of this transaction are set out in Note 28 'Post Balance Sheet Events'. As this transaction was completed post year end, Timm is regarded as being 'held for sale', and its operations being 'discontinued'. Set out in this note are the effects of this transaction on the Group, which includes the removal to the Group of any further liability due to Paul Capital Healthcare under the Revenue Finance Agreement.

For the year ended 31 December 2008

	2008	2007
	£'000	£'000
Trading (loss) / profit for Timm	(2,828)	448
Historic foreign exchange losses taken to reserves on consolidation	(254)	–
(Loss) / profit from discontinued operations	(3,082)	448
The results for Timm were as follows:		
	2008	2007
	£'000	£'000
Revenue	6,477	5,753
Cost of sales	(931)	(789)
Gross profit	5,546	4,964
Administrative expenses		
– amortisation of intangibles	(464)	(464)
– selling and marketing	(4,306)	(3,191)
– other administrative expenses	(891)	(922)
Operating (loss)/profit	(115)	387
Finance costs	(2,659)	(59)
(Loss)/profit for the year before taxation	(2,774)	328
Taxation	(54)	120
(Loss)/profit for the year	(2,828)	448

The assets and liabilities of Timm that were classified as held for sale at 31 December 2008 are as follows:

	2008	2007
	£'000	£'000
Assets		
Goodwill	1,463	1,463
Other intangible assets	3,728	4,191
Property, plant and equipment	134	144
Deferred taxation	213	213
Long term receivables	28	21
Inventory	277	309
Trade and other receivables	711	476
Cash	474	1,338
Assets for disposal held for sale	7,028	8,155
Liabilities		
Trade and other payables	(3,338)	(1,548)
Borrowings (note 20)	(9,525)	–
Deferred taxation	(1,188)	(1,258)
Liabilities for disposal held for sale	(14,051)	(2,806)

For the year ended 31 December 2008**10. LOSS PER SHARE**

The calculation of the basic and diluted loss per share is based on the loss on ordinary activities after tax and on the weighted average number of ordinary shares in issue during the year. The impact of the share options and convertible debt are anti dilutive. The loss and weighted average number of shares used in the calculations are set out below:

	2008 Loss £'000	2008 Loss per share pence	2007 Loss £'000	2007 Loss per share pence
Continuing operations	(13,306)	(47.2)p	(10,926)	(40.1)p
Discontinued operations	(3,082)	(10.9)p	448	1.6p
Total operations	(16,388)	(58.1)p	(10,478)	(38.5)p

Loss per share is calculated based on a weighted average number of shares in issue of 28,198,569 (2007: 27,232,275).

11. GOODWILL

Group	£'000
Cost and net book value	
At 1 January 2007	1,463
Additions	–
At 31 December 2007	1,463
Transferred to discontinued operations (Note 9)	(1,463)
At 31 December 2008	–

For the year ended 31 December 2008

12. INTANGIBLE ASSETS

	Patents £'000	Trademarks £'000	Anti- competit- ve clause £'000	Total £'000
Cost				
At 1 January 2007	1,937	2,907	230	5,074
At 31 December 2007	1,937	2,907	230	5,074
Transferred to discontinued operations	(1,937)	(2,907)	(230)	(5,074)
At 31 December 2008	–	–	–	–
Amortisation				
At 1 January 2007	174	174	70	418
Charge for the year	194	194	76	464
At 31 December 2007	368	368	146	882
Charge for year	194	194	76	464
Transferred to discontinued operations	(562)	(562)	(222)	(1,346)
At 31 December 2008	–	–	–	–
Net book value				
At 1 January 2007	1,763	2,733	160	4,656
At 31 December 2007	1,569	2,539	84	4,192
At 31 December 2008	–	–	–	–

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Fixtures, fittings, computers and equipment £'000	Total £'000
Cost			
At 1 January 2007	27	276	303
Additions	–	128	128
At 31 December 2007	27	404	431
Additions	–	3	3
Less: discontinued operations	(27)	(209)	(236)
At 31 December 2008	–	198	198
Depreciation			
At 1 January 2007	2	102	104
Charge for the year	2	94	96
At 31 December 2007	4	196	200
Charge for the year	–	44	44
Less: discontinued operations	(4)	(88)	(92)
At 31 December 2008	–	152	152
Net book value			
At 1 January 2007	25	174	199
At 31 December 2007	23	208	231
At 31 December 2008	–	46	46

For the year ended 31 December 2008

14. PRINCIPAL SUBSIDIARIES

At 31 December 2008 the principal subsidiaries of the Group were as follows:

Name of subsidiary undertaking	Country of incorporation	Description of shares held	% of nominal value of shares held	Principal business activity
Plethora Solutions Limited	United Kingdom	1p Ordinary	100	Development of drugs and medical devices
Plethora Therapeutics Limited	United Kingdom	£1 Ordinary	100	Development of drugs and medical devices
Timm Medical Technologies, Inc.	United States of America	\$1 Common Stock	100	Sales of medical devices

As set out in Note 9 Timm Medical Technologies, Inc. is held for resale.

15. INVENTORY

	2008	2007
	£'000	£'000
Finished goods	–	308

In the year to 31 December 2008, a total of £nil of inventory (2007: £790,000) was included in the income statement as an expense.

16. TRADE AND OTHER RECEIVABLES

	2008	2007
	£'000	£'000
Trade receivables	35	841
Other receivables	144	371
Prepayments and accrued income	239	127
Total	418	1,339
Impairment of trade and other receivables	–	(36)
	418	1,303

For the year ended 31 December 2008

At the 31 December 2008, some of the unimpaired trade receivables are past their due date. The age of financial assets past due but not impaired, is as follows:

	2008 £'000	2007 £'000
Not more than one month	35	376
Not more than two months	–	40
Not more than three months	–	28
	35	444

Trade and other receivables are usually due within 30 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables as the amounts recognised resemble a large number of receivables from various customers.

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

17. CASH AND CASH EQUIVALENTS

	2008 £'000	2007 £'000
Cash and cash equivalents	522	2,612
Overdraft	(7)	(17)
	515	2,595

Cash and cash equivalents consist of cash on hand and balances with banks only. At the year end £474,000 (2007: £1,338,000) of cash on hand and balances with banks were held by the subsidiary undertakings and included in discontinued operations, presently this balance is available for use by the Group, although this will not be the case once the subsidiary is sold.

18. DEFERRED TAXATION

The deferred tax included in the balance sheet arose in the following areas:

	Assets		Liabilities	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Intangibles assets	–	–	–	(1,258)
Unused tax losses	–	213	–	–
	–	213	–	(1,258)

For the year ended 31 December 2008

The movement in the deferred taxation account during the year was

	Assets		Liabilities	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Balance brought forward	213	353	(1,258)	(1,397)
Group income statement movement arising during the year (note 8)	-	(140)	-	139
Discontinued operations	(213)	-	1,258	-
Balance carried forward	-	213	-	(1,258)

The deferred tax asset relates to trading losses which can be offset against the future profits of the subsidiary in the USA.

At 31 December 2008, the Group had an unprovided deferred tax asset relating to losses carried forward of £7 million (2007: £4 million). The asset has not been provided for as the Directors do not foresee a reversal in the foreseeable future.

19. CURRENT LIABILITIES : TRADE AND OTHER PAYABLES

	2008 £'000	2007 £'000
Trade and other payables	2,311	2,109
Other taxation and social security	80	69
Derivative instrument: borrowings conversion right	20	20
Accruals	1,869	1,260
	4,280	3,458

Due to the short term duration of trade and other payables the carrying value in the balance sheet represents the fair value of the liabilities.

The derivative instrument represents the fair value of the conversion right on the borrowings. This liability is held at fair value through the income statement.

For the year ended 31 December 2008

20. BORROWINGS

	2008	2007
	£'000	£'000
Current borrowings		
Endocare	–	705
ETV Capital S.A.	1,412	1,246
Merlin Biosciences Fund III	750	–
	2,162	1,951
Non current borrowings		
ETV Capital S.A.	1,436	2,627
	1,436	2,627
Total Borrowings	3,598	4,578

The future contractual payments for convertible loan notes and third party borrowings are as follows:

	2008	2007
	£'000	£'000
In one year or less or on demand		
Endocare	–	705
ETV Capital S.A.	1,412	1,750
Merlin Biosciences Fund III	750	–
In more than one year but not more than two years:		
ETV Capital S.A.	1,436	1,750
In more than two years but not more than three years:		
ETV Capital S.A.	–	373
	3,598	4,578

(i) Endocare

As part of the consideration paid by the Group for Timm Medical Technologies, Inc. the Company entered into a convertible acquisition loan note with the vendor Endocare, Inc. The convertible loan was issued in US Dollars at a face value of \$1.4 million. The loan contained provision for the conversion into shares in the Company. Interest accrued on the loan at the rate of 5% per annum. On 10 February 2008 the loan was repaid in full including accrued interest. No proportion of the loan was converted into equity. The value of the liability was recorded at fair value in acquisition balance sheet and interest is charged to the income statement at an effective rate.

For the year ended 31 December 2008

(ii) ETV Capital S.A.

In May 2007 the Group entered into a loan with ETV Capital S.A. for £4.0 million. The loan was originally repayable in 33 equal instalments and having a maturity in September 2010. The loan contains provision to be convertible into ordinary shares. Interest is charged at 7.25% above the three year swap rate on the date of the loan draw down which was 6.26% giving a total fixed interest rate of 13.51%. The loan is recorded at fair value in the balance sheet with interest charged at an effective rate over the life of the loan. The loan is secured by a fixed and floating charge over the assets of the Group. At inception the loan was repayable in 33 equal instalments with final maturity being September 2010. Of the loan proceeds an amount of £1,000,000 was held as cash collateral.

On 26 September 2008 the Group entered into a variation of the loan agreement to provide an additional £250,000 of usable funds from the cash collateral held, in addition an amount of £750,000 was repaid under the facility. As additional security for the release of these funds, Merlin Biosciences Fund III agreed to provide a guarantee facility to ETV Capital S.A. for £1 million.

On 30 January 2009 the Group entered into a further variation to the loan agreement, whereby the Group was granted with deferred payments under the loan for the period from December 2008 to February 2009. This further provided for an additional payment to be made equivalent to the total payments deferred upon completion of the amendment to the Sciele License. These payments were made on schedule in March 2009. On the current payment schedule the loan will be repaid by June 2010.

(iii) Merlin Biosciences Fund III

On 29 September 2008, Merlin Biosciences Fund III entered into a two year convertible loan note with the Group providing issue proceeds of £750,000. This convertible loan note matures on 29 September 2010 and bears a coupon of 13.5% per annum, with the interest being repaid at maturity. The loan note is convertible at the holders option into ordinary shares at a price of 25p per share.

As set out in (ii) above, Merlin Biosciences Fund III provided a guarantee to ETV Capital S.A. This guarantee is secured by a guarantee by the Group to Merlin Biosciences Fund III.

(iv) Paul Capital Healthcare (included within discontinued operations)

The Group entered into a Revenue Finance Agreement (the "RFA") on 27 March 2008 with Paul Capital Healthcare ("Paul Capital"). The Group received \$15 million on signature. In return, Paul Capital received an interest in the revenues generated from Plethora's male-health portfolio, primarily on revenues derived from sales of ErecAid[®], PSD502 and PSD510. The revenue interest is calculated on a decreasing percentage of revenues over time. The agreement expires in 2018. Plethora has the right to terminate the agreement at any time before then by making a final payment to Paul Capital which will be the greater of either (a) 250% of the payments funded by Paul Capital, or (b) an amount that would generate an IRR of 25% on the amounts funded by Paul Capital. This final payment shall be reduced by amounts already paid to Paul Capital. The loan is secured against the assets of the male-health portfolio.

The proceeds received from Paul Capital met the definition of financial liabilities under IAS39 and accordingly were treated as financial liabilities. Revenue interest paid to Paul Capital is treated as a repayment of the liability and

For the year ended 31 December 2008

notional interest was charged on the liability using the effective interest rate at inception of 26.9%. Any change in the estimated future payments to Paul Capital is recognized as income or expense in the income statement.

On 26 September 2008 the Group entered into an amendment to the RFA and Paul Capital advanced a further \$750,000 on the same terms as the previous amounts.

Under an agreement dated 26 May 2009, the Group has entered a compromise agreement with Paul Capital for the termination of the RFA the details of which are described in Note 28 – Post balance sheet events. Under this compromise the Group has agreed to sell its subsidiary Timm Medical Technologies, Inc. (“Timm”) to Paul Capital. Under the RFA Timm is the borrower and due to the classification of Timm as an asset held for resale, the RFA does not appear as a borrowing of the Group at 31 December 2008. Instead the liability to Paul Capital which was recorded as \$15.75 million, together with accrued interest, at 31 December 2008 is included in the Liabilities Held For Resale as disclosed in Note 9 to the financial statements.

(v) Convertible loan notes due 2011 (issued post year end)

On 16 February 2009, following shareholder approval, the Group issued 1,000,000 £1 loan notes to certain institutional investors. The loan notes bear interest at the rate of 4% per annum, the payment of the interest accrued is at final maturity of the loan. These loan notes are repayable in full on the second anniversary of issue, being 15 February 2011. The loan note holders may convert the notes at any point prior to maturity at a conversion price of 25p per share. In consideration for the note holders subscribing for the loan notes they were granted with warrants to acquire up to 1,333,332 new ordinary shares in the Company at an exercise price of 33p per share.

21. FINANCIAL INSTRUMENTS

The Group uses financial instruments comprising cash and short term deposits, a third party loan and convertible debt instruments. It does not enter into derivative transactions such as interest rate swaps, forward rate agreements or forward currency contracts. The Group has items such as trade receivables and trade payables that arise directly from its operations.

Trade and other receivables and trade and other payables

The Group manages its trade receivables to ensure that credit risk is minimised by avoiding concentration with any one customer. All trade receivables have set credit terms which are monitored. Set out in Note 16 are details of the age of outstanding amounts.

The Group works to ensure that it receives acceptable trading terms from its suppliers.

Liquidity risk

The Group seeks to manage financial risk by ensuring it has adequate liquid resource to meet its obligations as they fall due. The Group uses share issues and loans to raise finance for the Group's activities. The USA subsidiary provides positive cash funds to support the Group.

The Directors prepare detailed cashflow forecasts which are monitored monthly to ensure that all obligations can be settled as they fall due.

For the year ended 31 December 2008

Interest rate risk

All interest rates are fixed on Group's borrowing. Interest is paid at 13.51% on the convertible third party loan and 5% on the convertible acquisition loan. The weighted average fixed interest rate is 11.3% (2006: 4.6%).

A sensitivity analysis of interest has not been performed as all rates are fixed, therefore there is no interest rate sensitivity.

Financial assets and liabilities

The IAS 39 categories of financial assets included in the balance sheet and the headings in which they are included are as follows:

	2008	2007
	£'000	£'000
Loans and other receivables	694	3,795
Non financial assets	239	759
Total assets	933	4,554

The financial assets are included in the balance sheet in the following headings:

	2008	2007
	£'000	£'000
Non current assets		
Long term other receivables	–	24
Current assets		
Trade and other receivables	179	1,176
Cash and cash equivalents	515	2,595
	694	3,795

For the year ended 31 December 2008

The IAS 39 categories of financial liabilities included in the balance sheet and the headings in which they are included are as follows:

	2008 £'000	2007 £'000
Financial liabilities held for trading and carried and fair value through the income statement	20	20
Financial liabilities measured at amortised cost	7,856	8,016
Total liabilities	7,876	8,036
The financial liabilities are included in the balance sheet in the following headings		
Current liabilities		
Trade and other payables	4,278	3,458
Borrowings	2,162	1,951
Non current liabilities		
Borrowings	1,436	2,627
	7,876	8,036

22. CAPITAL MANAGEMENT POLICIES PROCEDURES

The Group's capital management objectives are:

- To ensure that the Group can continue as a going concern
- To ensure the Group has adequate resource to undertake the research required into sexual health drugs and products
- To provide a return to the Group's shareholders

The Group's capital equals total equity less cash and cash equivalents. The Group's financing includes total equity plus borrowings. The borrowings have been taken out to support the research activities of the Group and provide working capital for the Group.

For the year ended 31 December 2008**23. SHARE CAPITAL**

	2008	2007
	£'000	£'000
Authorised		
45,000,000 ordinary shares of 1 pence each	450	450
Allotted, issued and fully paid		
30,815,801 (2007: 28,014,365) ordinary shares of 1 pence each	308	280

All 1 pence ordinary share capital carry the same voting rights and rights to discretionary dividends.

On 8 December 2008 the company raised £420,215 by way of a placing of 2,801,436 new ordinary shares of 1p each ('Placing Shares') in the Company at a price of 15p per share to provide additional funds for working capital and product development. This placing represents the maximum number of shares available under existing s89 shareholder authority.

24. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2008 or 31 December 2007.

25. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2008 or 31 December 2007.

26. LEASING COMMITMENTS

The Group's aggregate minimum operating lease payments for the remaining lives of the leases are as follows:

	2008	2007
	Land and buildings £'000	Land and buildings £'000
One to five years	121	174

Lease payments recognised as an expense during the year ended 31 December 2008 amounted to £194,350 (2007: £127,376).

For the year ended 31 December 2008

27. TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

During the period the Group acquired services from certain companies of which Dr Wyllie is a Director and majority shareholder as set out below:

	Value of services acquired		Amounts due at 31 December	
	2008	2007	2008	2007
	£	£	£	£
Urodoc Limited	–	249,307	–	–
Mens Health Limited	11,480	35,927	–	1,293
Wellbeings Limited	26,367	24,480	7,191	4,794
GPC	230,475	–	884	–

During 2007 the Group issued 1,772,505 ordinary shares to Sciele Pharma, Inc. for 200p per share. During 2009, Sciele entered into a license agreement for the US rights to PSD502 rights for initial consideration of \$13.7 million. Mr William Robinson is a Director of Sciele Pharma, Inc. and as such the Company is a related party of the Group. At the year end £34,992 was owed by Sciele to the Group.

During the period, the Company entered into a convertible loan for £750,000 on an arms length basis from Merlin Bioscience Fund III as described in Note 20. Mr Mark Docherty is a Director of Merlin Biosciences Limited.

At 31 December 2008 the company owed £17,510 (2007: £nil) to Merlin Biosciences.

28. POST BALANCE SHEET EVENTS

On 16 January 2009 the Group announced that it had secured a short-term loan from Sciele Pharma, Inc ('Sciele') for up to £1.65 million.

On 16 February 2009, following shareholder approval, the Group issued 1,000,000 £1 loan notes to certain institutional investors. The loan notes bear interest at the rate of 4% per annum, the payment of the interest accrued is at final maturity of the loan. These loan notes are repayable in full on the second anniversary of issue, being 15 February 2011. The loan note holders may convert the notes at any point prior to maturity at a conversion price of 25p per share. In consideration for the note holders subscribing for the loan notes they were granted with warrants to acquire up to 1,333,332 new ordinary shares in the Company at an exercise price of 33p per share.

On 1 April 2009, the Group announced an amendment to the License Agreement with Sciele as a result of which the Group became entitled to receive \$13.7 million of licensing fees. Out of the proceeds, the Group repaid £1.3 million being the amount drawn under the Sciele loan; and \$6 million to Paul Capital Healthcare under the Revenue Finance Agreement; and £0.7 million to ETV Capital under the loan provided by them.

For the year ended 31 December 2008

On 26 May 2009 the Group announced that it had entered into a license agreement with Sciele for the rights to PSD502 for the rest of the world excluding the United States of America. Under this agreement, the Group will receive an amount of \$8.4 million of licensing payments of which \$4 million will be paid to Paul Capital Healthcare and £1 million will be paid to ETV Capital S.A. In addition, Paul Capital Healthcare will receive a royalty interest in Sciele's European income from PSD502 capped at \$12.5 million. Finally, under the agreements with Sciele, the Group has entered into a Collaboration Agreement under which it will provide development services to Sciele to complete the remaining clinical and non-clinical development of PSD502. Under the Collaboration Agreement Sciele will pay a proportion of the Group's personnel costs relating to the resourcing development and the parties will share external development costs in return the Group will receive low single digit royalties on the sales of PSD502 in Europe and a share of rest of the world income.

Also, on 26 May 2009, the Group announced a compromise with Paul Capital Healthcare for the release of the Group from all future liabilities under the Revenue Finance Agreement. As part of the compromise Paul Capital Healthcare acquired the Group's subsidiary Timm Medical Technologies, Inc. The acquisition agreement provided for a payment of \$1 in cash.

PLETHORA SOLUTIONS HOLDINGS PLC

COMPANY STATUTORY ANNUAL REPORT UNDER UK GAAP

FOR THE YEAR ENDED 31 DECEMBER 2008

COMPANY NUMBER 05341336

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Directors' responsibilities for the company financial statements

The Directors are responsible for preparing the Company only financial statements ("financial statements") in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Independent Auditor to the Members of Plethora Solutions Holdings plc

We have audited the parent Company financial statements of Plethora Solutions Holdings plc for the year ended 31 December 2008 which comprise the balance sheet and notes 1 to 12. These parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Plethora Solutions Holdings plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 auditor

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

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

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that information presented in the Chairman's and Chief Executive's Statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent Company financial statements. The other information comprises the Chairman's and Chief Executive's Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008;
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

GRANT THORNTON UK LLP

REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
BIRMINGHAM

26 May 2009

At 31 December 2008

	Notes	2008 £'000	2007 £000
Fixed assets			
Investments	5	79,000	5,862
Current assets			
Debtors: amounts due after more than one year	6	5,713	14,294
Creditors: amounts falling due within one year	7	(79,776)	(787)
Net current (liabilities)/assets		(74,063)	13,507
Total assets less current liabilities		4,937	19,369
Capital and reserves			
Called up share capital	8	308	280
Share premium account	9	20,256	20,103
Share based payment reserve	9	175	–
Profit and loss account	9	(15,802)	(1,014)
Shareholders' funds		4,937	19,369

The financial statements were approved by the Board of Directors on 26 May 2009.



S J Powell

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

1. BASIS OF PREPARATION

The separate financial statements of the Company have been prepared under the historical cost convention and in accordance with United Kingdom accounting standards.

The principal accounting policies of the Company are that of a holding company which has remained unchanged from the previous year.

2. ACCOUNTING POLICIES

Going concern

In considering the appropriate basis of the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

At 31 December 2008 the Group had cash balances of £0.5 million excluding amounts held in Timm Medical Technologies, Inc. which is classified as held for resale. On 30 April 2009 this had increased to £2.9 million in part by the receipt of amounts under the amendments to the Sciele US License Agreement. On the same date amounts were due to Paul Capital Healthcare of \$9.75 million (£6.6 million); ETV of £2.0 million; Merlin Biosciences of £0.75 million under a convertible loan note due 2010; and an amount of £1.0 million due under a convertible loan note due 2011.

The Directors have prepared detailed cash flows for the period to 30 June 2010. The cash flow forecasts show that the Group has adequate working capital for the forecast period. These cash flow projections make the following key assumptions:

- the Group concentrates its development efforts on the completion of PSD502;
- the Group continues to make payments to its debt providers in accordance with agreed schedules;
- no material costs are incurred in relation to the other development programmes unless new sources of finance provide the capital for such expenditure;
- no milestone or development income is received from Sciele under the Collaboration Agreement from the development of PSD502 outside the United States;
- no monies are received from licensing of any programme (other than that received from Sciele under the Collaboration Agreement);
- no additional funds are secured from any financing activities; and
- the Group is released from any further commitments to Paul Capital Healthcare.

The Group is actively seeking to enter into licensing arrangements for each of the remaining development programmes and talks are ongoing with a number of parties. Further, the Group will assist Sciele in business its business development activities outside the United States and it is hoped that agreements can be reached which may generate additional upfront and licensing income to the Group.

In addition, having successfully developed and licensed PSD502, it is the Group's intention to seek additional funds to permit development of the Group's assets over and above that forecast.

Consequently, the Directors have concluded that it is appropriate to prepare the Company's financial statements on the going concern basis.

Investments

Investments held by the Company are included at cost less amounts written off. Where the consideration for the acquisition of a subsidiary undertaking includes shares in the Company to which the provisions of Section 131 of the Companies Act 1985 apply, cost represents the nominal value of shares issued together with the fair value of any additional consideration given and costs.

Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

Share based payments

All share-based payment arrangements are recognised in the financial statements. The Company operates equity-settled share-based remuneration plans for remuneration of employees of its subsidiaries. Options are issued by the parent to the employees of its subsidiaries. As such, the charge for the share based remuneration is recognised in the subsidiary company profit and loss account with no charge being borne in the ultimate parent profit and loss account.

All employee services received in exchange for the grant of any share-based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to the share based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Related party transactions

In accordance with FRS 8, Related party transactions, the Company is exempt from disclosing transactions with all its 100% owned subsidiaries.

3. LOSS FOR THE FINANCIAL YEAR

The Company has taken advantage of section 230 (4) of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Company's loss for the year before dividends was £14,788,000 (2007: £535,000).

Auditor's remuneration incurred by the Company during the year for audit services totalled £5,000 (2007: £5,000), and for tax compliance services totalled £1,000 (2007: £1,000) which was borne by the subsidiary undertaking Plethora Solutions Limited.

4. DIRECTORS AND EMPLOYEES REMUNERATION

The company has no employees and its directors are remunerated through the company's subsidiary, Plethora Solutions Limited.

5. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £'000
Cost	
At 1 January 2008	5,862
Additions	79,000
Disposals	(5,713)
At 31 December 2008	79,149
Impairment	
At 1 January 2008	–
Provided during the year	149
At 31 December 2008	149
Net book value	
At 31 December 2007	5,862
At 31 December 2008	79,000

At 31 December 2008 the Company holds 100% of the ordinary share capital of the following subsidiaries:

Name of subsidiary undertaking	Country of incorporation	Description of shares held	% of nominal value of shares held	Principal business activity
Plethora Solutions Limited	United Kingdom	1p Ordinary	100	Development of drugs and medical devices
Plethora Therapeutics Limited	United Kingdom	£1 Ordinary	100	Development of drugs and medical devices
Timm Medical Technologies, Inc. (indirectly held)	United States of America	\$1 Common Stock	100	Sales of medical devices

Timm Medical Technologies, Inc. is held for resale.

6. DEBTORS

	2008 £'000	2007 £'000
Amounts owed by Group undertakings	5,713	14,294

The amounts owed by Group undertakings are due outside one year.

7. CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Endocare	–	705
Merlin BioSciences	750	–
Amounts owed to Group undertakings	79,000	–
Accruals	26	82
	79,776	787

(i) Endocare

As part of the consideration paid by the Company for Timm Medical Technologies, Inc. the Company entered into a convertible acquisition loan note with the vendor Endocare, Inc. The convertible loan was issued in US Dollars at a face value of \$1.4 million. The loan contained provision for the conversion into shares in the Company. Interest accrued on the loan at the rate of 5% per annum. On 10 February 2008 the loan was repaid in full including accrued interest. No proportion of the loan was converted into equity. The value of the liability was recorded at fair value in acquisition balance sheet and interest is charged to the income statement at an effective rate.

(ii) Merlin Biosciences

On 29 September 2008, Merlin Biosciences Fund III LP and Merlin Biosciences Fund III (2007) LP (together "Merlin Biosciences Fund III") entered into a two year convertible loan note with the Group providing issue proceeds of £750,000. This convertible loan note matures on 29 September 2010 and bears a coupon of 13.5% per annum, with the interest being repaid at maturity. The loan note is convertible at the holders option into ordinary shares at a price of 25p per share.

In addition, Merlin Biosciences Fund III provided a guarantee to ETV Capital S.A. This guarantee is secured by a guarantee by the Group to Merlin Biosciences Fund III.

(iii) Convertible loan notes due 2011 (issued post year end)

On 16 February 2009, following shareholder approval, the Group issued 1,000,000 £1 loan notes to certain institutional investors. The loan notes bear interest at the rate of 4% per annum, the payment of the interest accrued is at final maturity of the loan. These loan notes are repayable in full on the second anniversary of issue, being 15 February 2011. The loan note holders may convert the notes at any point prior to maturity at a conversion price of 25p per share. In consideration for the note holders subscribing for the loan notes they were granted with warrants to acquire up to 1,333,332 new ordinary shares in the Company at an exercise price of 33p per share.

8. SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised		
45,000,000 ordinary shares of 1 pence each	450	450
Allotted, issued and fully paid		
30,815,801 (2007 : 28,014,365) ordinary shares of 1 pence each	308	280

All 1p ordinary share capital carry the same voting rights and rights to discretionary dividends.

On 8 December 2008 the company raised £420,215 by way of a placing of 2,801,436 new ordinary shares of 1p each ('Placing Shares') in the Company at a price of 15p per share. This placing represents the maximum number of shares available under existing s89 shareholder authority to provide additional funds for working capital and product development.

9. RESERVES

	Share premium £000	Shared based Payment reserve £'000	Profit and loss account £000
At 1 January 2008	20,103	–	(1,014)
Retained loss for the year	–	–	(14,788)
Premium on equity share capital issued	392	–	–
Issue costs on equity share capital issued	(239)	–	–
Employee share based compensation	–	175	–
At 31 December 2008	20,256	175	(15,802)

10. CONTINGENT LIABILITIES

The Company has guaranteed £2.9 million (2007: £4 million) of borrowings owed by its subsidiary, Plethora Solutions Limited and a maximum commitment of \$39.4 million (2007: \$nil) owed by its subsidiary Timm Medical Technologies, Inc. Under the guarantees, the lenders have a fixed and floating charge against the assets of the Company and the Group.

There were no further contingent liabilities at 31 December 2008 or 31 December 2007.

11. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2008 or at 31 December 2007.

12. POST BALANCE SHEET EVENTS

On 16 January 2009 the Group announced that it had secured a short-term loan from Sciele Pharma, Inc ('Sciele') for up to £1.65 million which was repaid following completion of the amendment to the License Agreement.

On 16 February 2009, following shareholder approval, the Group issued 1,000,000 £1 loan notes to certain institutional investors. The loan notes bear interest at the rate of 4% per annum, the payment of the interest accrued is at final maturity of the loan. These loan notes are repayable in full on the second anniversary of issue, being 15 February 2011. The loan note holders may convert the notes at any point prior to maturity at a conversion price of 25p per share. In consideration for the note holders subscribing for the loan notes they were granted with warrants to acquire up to 1,333,332 new ordinary shares in the Company at an exercise price of 33p per share.

On 1 April 2009, the Group announced an amendment to the License Agreement with Sciele as a result of which the Group became entitled to receive \$13.7 million of licensing fees. Out of the proceeds, the Group repaid £1.3 million being the amount drawn under the Sciele loan; and \$6 million to Paul Capital Healthcare under the Revenue Finance Agreement; and £0.7 million to ETV Capital under the loan provided by them.

On 26 May 2009 the Group announced that it had entered into a license agreement with Sciele for the rights to PSD502 for the rest of the world excluding the United States of America. Under this agreement, the Group will receive an amount of \$8.4 million of licensing payments of which \$4 million will be paid to Paul Capital Healthcare and £1 million will be paid to ETV Capital S.A. In addition, Paul Capital Healthcare will receive a royalty interest in Sciele's European income from PSD502 capped at \$12.5 million. Finally, under the agreements with Sciele, the Group has entered into a Collaboration Agreement under which it will provide development services to Sciele to complete the remaining clinical and non-clinical development of PSD502. Under the Collaboration Agreement Sciele will pay a proportion of the Group's personnel costs relating to the resourcing development and the parties will share external development costs in return the Group will receive low single digit royalties on the sales of PSD502 in Europe and a share of rest of the world income.

Also, on 26 May 2009, the Group announced a compromise with Paul Capital Healthcare for the release of the Group from all future liabilities under the Revenue Finance Agreement. As part of this compromise Paul Capital Healthcare acquired the Group's subsidiary Timm Medical Technologies, Inc. The acquisition agreement provided for a payment of \$1 in cash.

Company Registration Number: 05341336

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M Docherty (Non-Executive Director)
N B Stafford (Non-Executive Director)
A G Hayes (Non-Executive Director)
W J Robinson (Non-Executive Director)
S J Powell (Chief Executive Officer)
M G Wyllie (Chief Scientific Officer)

Secretary: S J Powell

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