

Plethora Solutions Holdings plc

("Plethora" or the "Company")

Preliminary Results For Financial Year Ended 31 December 2010

Plethora announces its unaudited preliminary results for the year ended 31 December 2010. The Company has made significant progress towards its goal to become a profitable, urology and sexual health specialty pharmaceutical company, by generating revenue in The Urology Company and licensing its development programmes.

HIGHLIGHTS

Operational Highlights

- Establishment of The Urology Company's operations;
- Launched 11 products in UK market;
- Achieved maiden income from The Urology Company;
- Developed the European expansion model; and
- Significant continued income from Shionogi relating to PSD502.

Financial highlights:

- Total Revenues £1,194k (2009: £17,742k);
- Gross Profit £1,081k (2009: £17,742k);
- Net Operating Costs £2,094k (2009: £8,240k); and
- Retained Loss After Tax £1,403k (2009: profit £9,574k).

In a separate announcement, issued today, the Company announced a placing of 11,400,000 new ordinary shares at 7.5p to raise £855,000 and is in advanced discussions in respect of a loan facility for a further £400,000. In aggregate this will provide £1.255m of new funding for the Company.

Bill Robinson, Chairman of Plethora, commented:

"These results show that the operational transition from an R&D driven business to a revenue generating speciality pharmaceutical company is nearing completion. Plethora remains focused on our area of therapeutic expertise - urology and sexual health. Our efforts are now fully concentrated on materially increasing revenue and bringing the Company to profitability."

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About Plethora: www.plethorasolutions.co.uk.

Plethora is a speciality pharmaceutical company focused on the treatment of urology, gynaecology, andrology, obstetric conditions and sexual health. The Company initially developed products for the treatment of premature ejaculation (PSD502), interstitial cystitis (PSD597), erectile dysfunction (PSD510), stress urinary incontinence (PSD503), and overactive bladder (PSD506). Plethora's subsidiary, The Urology Company Limited, established in 2009, markets and distributes a range of therapeutic products. The Company is headquartered in the UK and is listed on the London Stock Exchange (AIM: PLE.L).

Preliminary Results For Financial Year Ended 31 December 2010

INTRODUCTION

Plethora's strategy is to become a profitable specialty pharmaceutical company, focused on generating revenue in The Urology Company and through licensing agreements. During 2010 the Company has made significant progress towards this goal.

STRATEGY

Plethora is focused on urology & sexual health. This includes conditions which are often chronic but non-life threatening and therefore represent a market with reliable economics. Many patients regard their conditions to be embarrassing and will seek treatments other than from their physician and therefore use over-the-counter ("OTC") medicines and other healthcare products.

The board believes that these conditions represent an underserved market opportunity which can be exploited by a specialty pharmaceutical company. In addition, urology & sexual health is a concentrated specialism, with an estimated 800 practicing urologists in the UK. It is therefore possible to obtain broad access to prescribers via a concentrated sales force.

Plethora's strategy is to create a profitable, European, speciality pharmaceutical company, with a portfolio of prescription pharmaceuticals, medical devices and consumer healthcare products.

THE UROLOGY COMPANY

The Urology Company was established at the end of 2009 with the goal of launching between six and nine products during 2010. By the end of 2010 the Company had launched 11 products covering prescription pharmaceuticals, CE marked medical devices and OTC healthcare products, as set out below.

Product name	Indication	Type
Dianatal®	Obstetric gel	CE marked device
Striant® SR	Testosterone replacement	POM ("Prescription Only Medicine")
hI-Cran®	Urinary tract health	OTC supplement
hI-ArgenoI™	Male sexual health	OTC supplement
Uropressin®	Enuresis	POM
OLS2	Overactive bladder	POM
Hyalofemme®	Vaginal atrophy	CE marked device
Uromaxiflow™	Prostate health	OTC supplement
Urovital™ Complex	Prostate health	OTC supplement
Urolieve®	Bladder pain	POM (Special)
Virgafem®	Stress incontinence	POM (Special)

The Company is accessing the UK market through three routes (i) direct sales to the UK prescribing community using its own small sales force; (ii) distribution via the retail pharmacy and grocery sector; and (iii) direct to the consumer using electronic marketing and distribution, with all of Plethora's consumer products directly available through the Company's web shop or via Amazon. This portfolio is intended to drive profitability in the near term and ensure that Plethora's proprietary development programmes deliver a full profit contribution.

At the end of 2010 the Company entered an agreement with a major UK high street retail pharmacy chain for the launch of Hyalofemme™ as an own label "Vaginal Moisturiser". This is important in expanding the product's reach and establishing a relationship with such an important partner in the UK market. Sales of this product have commenced according to plan.

As the business grows so Plethora intends to access international markets. The first steps of this strategy have been established through the expansion of the agreement with Columbia Laboratories, Inc. where The Urology Company licensed the European rights to Striant® SR. This was announced on 14 March 2011, after the period end. The Company will use this product to establish a network of partners in Europe to market Striant® SR as distributors. Work has commenced on establishing this network and a number of conversations with potential partners are underway.

PLETHORA SOLUTIONS DEVELOPMENT PORTFOLIO

Plethora's business was originally based on the development of a portfolio of lower risk drug development programmes in urology & sexual health. Having completed Phase I and Phase II trials on all programmes, the board determined that it would license the remaining assets to larger partners for final stage development and commercialisation rather than continuing with further investment.

PSD502

The lead programme in Plethora's portfolio is PSD502, for the treatment of premature ejaculation (PE). PE is a significant problem and it is estimated that approximately 26% of men suffer from this condition. Although some treatments are becoming available, at present there is no broadly approved treatment for PE. Plethora completed phase III development of PSD502 in 2009 and the product was found to be safe and highly effective.

PSD502 was licensed to Shionogi, a global Japanese headquartered pharmaceutical company. Under this agreement Shionogi will commercialise PSD502. Plethora has already earned £15.3m in milestones, received an equity investment of £3.5m (\$7m) and earned reimbursement income of £4.2m. It is Shionogi's intention to enter into partnerships to market the product in Europe and other territories, outside Japan and the United States, where Plethora will receive a share in any milestones received by Shionogi in any partnering agreement and royalties on product shares.

Shionogi has a commitment to the launch of PSD502 and work is being undertaken to secure the regulatory approval of the product. Control of this programme now rests solely with Shionogi and Plethora's involvement and costs are negligible.

PSD502 remains a very important asset to the Company. It has the potential to add many millions of pounds of royalties to income and as all costs have been incurred this will flow directly to profit contribution. The launch date for PSD502 remains some

time away and will depend on the progress through the regulatory process. It is important to work with Shionogi to create tangible value in the near term.

BOARD & MANAGEMENT CHANGES

On 10 March 2011, the Company announced that Dr Steven Powell, CEO, has been granted a leave of absence from the Company as a result of a serious medical condition. Steven took the Company from inception in 2004, through listing on AIM in 2005, to the successful phase III results and global licensing of PSD502 in 2009, and then the foundation of The Urology Company. The board is grateful for his huge contribution in leading the Company to date and wishes him a successful and rapid recovery.

On the same date Ronald Openshaw was appointed interim CEO. Ronald has been with the Company since 2009 as interim CFO, having been an advisor since 2007. He guided the Company through the restructuring in 2009 and has been heavily involved in the development of the new strategy and the foundation of The Urology Company.

In January 2011, the Company announced two senior appointments:

- Mr Richard Horsman as an independent non-executive director: Richard was previously CEO of Cybit Holdings plc, a company which he grew from a start-up and successfully sold in a significant private equity buy-out; and
- Mr Billy Hargan as VP Commercial Operations: Billy is a senior and highly experienced sales and marketing executive from within the pharmaceutical industry. He previously held roles with Specialty European Pharma, Hospira, Abbot, Knoll, Boots and Gist-Brocades. Billy has taken the senior leadership role in The Urology Company's sales and marketing activities.

The board is grateful to both Richard and Billy who have already made a contribution to the board and senior management.

FINANCIAL RESULTS

Revenues & margin

Total revenues for the year were £1,194k (2009: £17,742k) and comprised Reimbursement Income from Shionogi, Sales by The Urology Company and Other Operating Income.

The Reimbursement Income of £1,072k (2009: £17,742k) was for R&D expenses previously incurred. The board believes this demonstrates Shionogi's continued commitment to PSD502.

The Urology Company generated sales of £33k in the year (2009: nil). These revenues were generated almost entirely in the latter part of the second half of the year. Sales of the supplement products are modest and Dianatal requires a degree of market development. Revenues were driven in November and December through the launch of Striant® SR, and the major high street pharmacy Vaginal Moisturiser sales. The launches of Urolieve and Virgafem were too late in the year to contribute to the 2010 result. The Urology Company earned a gross profit of £9k (2009: nil) equivalent to a 27% margin. The Company believes that this margin will improve as revenues grow

and economies of scale can be delivered. The Company can report that sales within The Urology Company are showing growth in the first few months of 2011.

Finally, the Company earned £89k of grant income (2009: nil) which is recorded as Other Operating Income and shown below gross profit as part of Net Operating Costs.

Net Operating Costs

Total Net Operating Costs for the period were £2,094k (2009: £8,240k) and excluding Other Operating Income, discussed above, were £2,183k (2009: £8,204k) a decrease of 73%.

R&D costs reduced to £24k (2009: £6,049k) due to the completion of the clinical trials for PSD502. The Company has no ongoing clinical trials, however, work continues at a modest level on regulatory matters particularly on seeking an orphan drug designation for PSD510.

General & Administrative expenses also reduced to £1,317k (2009: £1,787k), a decrease of 26%. These reduced as the focus on concentrating resources on generating revenues continues. While costs will remain the subject of considerable attention, further declines are likely to be more modest given the costs of running a publicly traded company.

Selling & Distribution expenses increased to £837k (2009: £121k). This increase represents a full year's cost whereas the costs incurred in 2009 were only during the latter part of the fourth quarter. Selling & Distribution costs include not only those related to selling but also to supply chain, distribution and the regulatory costs. During 2010 the Company incurred a number of one off costs associated with establishing the necessary infrastructure including obtaining a Wholesalers Dealers License from the MHRA and a Controlled Drugs License from the Home Office. We anticipate a number of initial costs will not be repeated, however, direct selling and marketing costs will increase as the sales force grows and the number of products increases.

Result for the year

Overall the Company recorded a loss after tax of £1,403k (2009: profit £9,574k). The Company had anticipated that it would record a loss in 2010 as revenues from the Shionogi agreement and The Urology Company were unlikely to generate a profit. The profit generated in 2009 was driven by the receipt of £17.7m in licensing income from the Shionogi deal signed in that year. In part, the significance of that income has driven the strategy to create a long term profitable and sustainable business and we believe the Company is positioned to move to this goal.

Balance sheet

At the year end the Company had Cash resources of £756k (2009: £1,428k). Total cash outflow during the year was £672k (2009: inflow of £913k) and this was funded both from existing resources, equity investment and from the receipt of funds from a five year term loan received from the Capital for Enterprise Fund.

This cash outflow funded the loss for the period as the business invested in the development of The Urology Company, reduced trade creditors to £369k (2009: £2,061k) and allowed the establishment of initial inventories of The Urology Company's products of £165k (2009: nil).

The Company has accrued total interest of £487k (2009: £171k) associated with the Company's £2,455k 2012 Convertible Loan Notes.

During 2010 the Company's capital base was strengthened through three small financings. On 10 May 2010 the Company completed a fund raising of £550,000, which comprised of an equity placement of £295,000 giving rise to the issued of 2,360,000 new ordinary shares at 12.5p per share and the issue of £255,000 of 2012 Convertible Loan Notes. On 29 June 2010 the Company secured £1,000,000 through a five year term loan from the Capital for Enterprise Fund. Finally, on 21 December 2010 the Company completed a placing to raise £850,000 through the issue of 10,000,000 new ordinary shares at 8.5p per share.

In addition, as announced today, the Company has announced a conditional placing of 11,400,000 shares at 7.5p and is in advanced discussions in respect of a loan facility for a further £400,000. In aggregate this will provide £1.255m of new funding for the Company.

OUTLOOK

Important milestones have been reached: Striant® SR is now carried by all the major pharmaceutical wholesalers and sales are increasing; Urolieve® has recorded its first sales; product usage is growing and physician feedback to both Striant® SR and Urolieve® is positive; the sales strategy for Diantal has been amended and is gaining significant interest; and the sales team has been expanded and we intend to continue recruitment. As a result, sales within The Urology Company are showing growth in 2011.

We continue to evaluate the contribution made by products in the portfolio and focus our energies on those which are gaining market share and can deliver a meaningful financial contribution. The first half of the year will see targeted marketing campaigns for the Company's key prescription products as these will drive revenue growth most rapidly.

In March 2011 the Company licensed the European rights to Striant® SR. This signals the expansion of our activities into continental Europe. The Company will address this market in a cost effective manner, through distributors, and it does not envisage a direct continental European sales force in the foreseeable future. As the European partner network is established, it will allow the Company to market its products on the continent.

The licensing of Striant® SR also marks an important development of our strategy to build a portfolio of revenue generating products, by acquiring existing products in our core market which should have a positive immediate effect on revenue, gross profit and cash flow. The Company is currently in discussions with a number of major pharmaceutical businesses and expects to announce further product acquisitions over the course of the year.

The board anticipates that the Company will earn significantly increased revenues in 2011 and that this will set the Company up for long term sustained profitability and cash flow.

William Robinson
Chairman

Ronald Openshaw
Chief Executive Officer

1 April 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	2010 £'000 Unaudited	2009 £'000 Audited
Revenue		1,105	17,742
Cost of sales		(24)	-
Gross Profit		1,081	17,742
Other operating income		89	-
Operating Costs:			
- Research and Development expenses		(606)	(6,049)
- Exceptional item – R&D Provisions released		582	-
- research & development costs		(24)	(6,049)
- exchange losses		-	(283)
- selling & distribution expenses		(837)	(121)
- general & administrative expenses		(1,322)	(1,787)
Total Net Operating Costs		(2,094)	(8,240)
Operating (loss)/profit		(1,013)	9,502
Finance costs		(487)	(421)
Finance income		2	4
(Loss)/profit for the year from continuing operations before taxation		(1,498)	9,085
Income tax credit		95	324
(Loss)/profit from continuing operations		(1,403)	9,409
Profit from discontinued operations		-	165
Total comprehensive (loss)/income for the year attributable to equity shareholders		(1,403)	9,574
(Loss)/earnings per share	3		
Basic (loss)/earnings per share			
- continuing operations		(3.2)p	29.8p
- discontinued operations		-	0.5p
- total operations		(3.2)p	30.3p
Diluted (loss)/earnings per share			
- continuing operations		(3.2)p	19.4p
- discontinued operations		-	0.3p
- total operations		(3.2)p	19.7p

CONSOLIDATED BALANCE SHEET

At 31 December 2010

	Note	2010 £'000 Unaudited	2009 £'000 Audited
ASSETS			
Non current			
Property, plant & equipment		7	34
Current			
Trade & other receivables		205	226
Inventory		165	-
Cash & cash equivalents		756	1,428
Total Assets		1,133	1,688
LIABILITIES			
Current			
Trade & other payables	4	(728)	(2,593)
Non current			
Borrowings	5	(3,707)	(2,166)
Total liabilities		(4,435)	(4,759)
Net liabilities		(3,302)	(3,071)
EQUITY			
Share capital		543	420
Share premium		22,127	21,166
Other reserves		4,908	4,908
Convertible loan note reserve		224	214
Share based payment reserve		1,911	1,833
Retained loss		(33,015)	(31,612)
Total deficit		(3,302)	(3,071)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share Capital	Share Premium	Other Reserves	Convertible Loan Note Reserve	Share Based Payment Reserve	Retained Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(Audited)							
Balance at 1 January 2009	308	20,256	4,908	-	1,792	(41,186)	(13,922)
Profit/total comprehensive income for the year	-	-	-	-	-	9,574	9,574
Transactions with owners:							
Equity component of convertible loan notes	-	-	-	214	-	-	214
Issue of new shares	112	1,003	-	-	-	-	1,115
Cost of issue of new shares	-	(93)	-	-	-	-	(93)
Employee share based compensation	-	-	-	-	41	-	41
Balance at 31 December 2009	420	21,166	4,908	214	1,833	(31,612)	(3,071)
(Unaudited)							
(Loss)/total comprehensive loss for the year	-	-	-	-	-	(1,403)	(1,403)
Transactions with owners:							
Equity component of convertible loan notes	-	-	-	10	-	-	10
Issue of new shares	123	1,022	-	-	-	-	1,145
Cost of issue of new shares	-	(61)	-	-	-	-	(61)
Employee share based compensation	-	-	-	-	78	-	78
Balance at 31 December 2010	543	22,127	4,908	224	1,911	(33,015)	(3,302)

CONSOLIDATED CASHFLOW STATEMENT

For the year ended 31 December 2010

	Note	2010 £'000 Unaudited	2009 £'000 Audited
Cash flows from operating activities			
(Loss) /profit after taxation		(1,403)	9,574
Finance income		(2)	(4)
Finance costs		487	421
Share-based payment charge		78	41
Depreciation of plant & equipment		31	26
Profit on disposal of property, plant and equipment		(3)	-
Change in inventories		(165)	-
Change in trade and other receivables		21	100
Change in trade and other payables		(1,870)	(1,657)
Taxation income		(95)	(324)
Cash (utilised) / generated from operations		(2,921)	8,177
Interest paid		(54)	(179)
Income taxes received		95	324
Cash flow from operating activities (discontinued operations)		-	276
Net cash (outflow) / inflow from operating activities		(2,880)	8,598
Cash flows from investing activities			
Disposal of discontinued operations and repayment of associated indebtedness		-	(474)
Purchases of property, plant & equipment		(4)	(14)
Interest received		2	4
Proceeds from disposal of property, plant and equipment		3	-
Net cash inflow/(outflow) from investing activities		1	(484)
Cash flows from financing activities			
Proceeds from issue of shares		1,144	1,115
Share issue costs		(61)	(93)
Repayment of borrowings		-	(2,848)
Proceeds from receipt of borrowings		1,255	1,450
Loan issue costs		(131)	-
Cash used in financing activities (discontinued operations)		-	(6,825)
Net cash inflow/(outflow) from financing activities		2,207	(7,201)
Net (decrease) /increase in cash & cash equivalents		(672)	913
Cash & cash equivalents at beginning of period		1,428	515
Cash & cash equivalents at end of period		756	1,428

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

1. Presentation of financial statements

The financial information set out in this unaudited preliminary statement does not comprise the Company's statutory accounts within the meaning of section 434 of the Companies Act 2006. The statutory accounts of the Company for the year ended 31 December 2010, currently unaudited and to be published, will be finalised on the basis of the financial information presented by the Directors in this unaudited preliminary statement and will be delivered to the Registrar of Companies, in due course and will also be sent to shareholders.

Whilst the financial information included in this unaudited preliminary announcement has been computed in accordance with EU endorsed International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs.

The financial information set out on this unaudited preliminary statement includes comparative figures that have been prepared on the same basis. The auditors have reported on the financial statements for the year ended 31 December 2009 which were prepared under IFRSs. Their report was unqualified and did not contain any statements under section 498 of the Companies Act 2006.

This preliminary statement was approved by the board on 31 March 2011.

2. Accounting Policies

Basis of preparation

The Company's financial statements are 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. The preliminary statement has been prepared on a basis consistent with the financial statements.

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

Certain minor adjustments have been made to the prior year comparatives to conform them to the presentation adopted in the current period.

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.

As at 31 December 2010, the Group had £756k of cash and cash equivalents.

The Directors have prepared detailed cash flow forecasts for the period to 31 December 2012, which show that the Group has adequate working capital for the forecast period. These cash flow projections assume that a number of as yet

uncertain events occur including that the Group receives royalty and/or milestone income in relation to PSD502 within the expected timeframes, which is in part dependent on Shionogi's progress in obtaining regulatory approval for this product; that the Company's lenders do not withdraw any of its existing financing facilities; that The Urology Company achieves sales and earns margin broadly in line with budget; and that certain of the planned capital management and financing activities are completed.

Consequently, the Directors have concluded that it is appropriate to prepare the Group's financial statements on the going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future. Nevertheless, there is material uncertainty in relation to the events set out above, which may cast significant doubt on the Group's ability to continue as a going concern. In the event that some combination of the above events fails to occur as expected, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Significant accounting estimates and judgments

Certain estimates and judgments 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 judgments 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 judgments within the financial statements are as follows:

- preparing the financial statements on a going concern basis;
- revenue recognition;
- the release of certain trade payable balances to the income statement; and
- The recognition of a tax receivable for R&D tax refunds.

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

During the year, the Group earned revenue from product sales and from the reimbursement of R&D expenses incurred in relation to out-licensed or co-development projects. Urology product sales are recognised on dispatch. Re-imbursement revenue is recognised only when the directors consider that it is probable that the economic benefit will flow to the entity to reflect the uncertainties in the timing and collection of amounts.

Certain trade payables balances have been released to the income statement, prior to finalisation of formal settlement agreements, as the directors consider the matters settled and the probability of further payments remote.

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

There are no other major areas of estimation.

3. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the profit on ordinary activities after tax and on the weighted average number of ordinary shares in issue during the year. The earnings and weighted average number of shares used in the calculations are set out below.

	2010 Loss £'000	2010 Earnings per share (p)	2009 Profit £'000	2009 Earnings per share (p)
Basic(loss)/earnings per share				
Continuing operations	(1,403)	(3.2)p	9,409	29.8p
Discontinued operations	-	-	165	0.5p
Total operations	(1,403)	(3.2)p	9,574	30.3p
Diluted (loss)/earnings per share				
Continuing operations	(1,403)	(3.2)p	9,550	19.4p
Discontinued operations	-	-	165	0.3p
Total operations	(1,403)	(3.2)p	9,715	19.7p

Basic earnings per share are calculated based on a weighted average number of shares in issue of 43,831,882 (2009: 31,548,951). Diluted earnings per share takes into account the dilutive effect of share options to the extent they are in the money and convertible loan notes. The dilutive effect on the loss per share in 2010 is not shown as the effect of loss per share due to share options and convertible loans is anti-dilutive on the loss. For the year ended 31 December 2010, diluted earnings per share were calculated based on 54,325,800 shares.

4. Trade and other payables

	2010 £'000	2009 £'000
Trade and other payables	369	2,061
Social security and Other taxes	25	50
Accrued expenses	334	482
	728	2,593

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.

5. Borrowings

	2010 £'000	2009 £'000
Non current borrowings		
Convertible Loan Notes Due 2012	2,301	1,995
Interest accrued on Convertible Loan Notes Due 2012	487	171
CfE Loan Due 2015	919	-
Total Borrowings	3,707	2,166

The future contractual payments are as follows

	2010	2009
	£'000	£'000
In more than one year but not more than two years:		
Convertible Loan Notes Due 2012	2,455	-
In more than two years but not more than five years		
Convertible Loan Notes Due 2012	-	2,200
CfE Loan Due 2015	1,000	-
	3,455	2,200

(i) Convertible Loan Notes Due 2012

The principal terms of the Convertible Loan Notes Due 2012 include: maturity 31 December 2012; coupon 13% per annum, accrued until maturity; convertible into new ordinary shares at 12.5p per share; secured by first charge over the company's assets; repayable by the Company at any point post issuance; convertible by the Company after 31 December 2010 provided the Company's share price is 25% greater than the conversion price for the preceding 60 days prior to conversion.

The Company has £2,455,000 (2009: £2,200,000) of Convertible Loan Notes Due 2012, which were issued in several tranches. On 26 September 2008 £750,000 was issued to Merlin Biosciences Fund III LP and Merlin Biosciences Fund III (2007) LP (the "Merlin Notes"). In addition, on 16 February 2009 the Company issued £1,000,000 to certain institutional investors (the "Institutional Notes"). Both the Merlin Notes and the Institutional Notes were originally issued on different terms from the Convertible Loan Notes Due 2012. On 7 December 2009 the Company issued £450,000 Convertible Loan Notes Due 2012 and entered into a deed of amendment with each of the holders of the Merlin Notes and the Institutional Notes to bring them into common terms with the Convertible Loan Notes Due 2012. Finally on 10 May 2010 the Company issued a further £255,000 of Convertible Loan Notes Due 2012.

In connection with the Merlin Notes and the Institutional Notes, the Company issued warrants to subscribe for new ordinary shares to the holders over 520,833 shares at 36p per share and 1,333,332 shares at 33p per share respectively.

Under IFRS a proportion of the Convertible Loan Notes Due 2012 is regarded as equity and is recorded in the convertible loan note reserve. In addition, amounts were recorded as notional interest and as a loss on the restructuring of the Merlin Notes and the Institutional Notes.

The following non-IFRS disclosure shows the effect of the accounting treatment.

Convertible Loan Notes Due 2012	2010	2009
	£'000	£'000
Amount recorded in liabilities	2,301	1,995
Amount recorded in equity	224	214
	2,525	2,209
Add: loan arrangement fees set against liability	71	92
Less: notional interest and deemed loss on extinguishment	(141)	(101)
Principal amount of loan notes	2,455	2,200

(ii) CfE Loan Due 2015

On 29 June 2010 the Company entered into a £1 million, five year secured term loan the ("CfE Loan Due 2015") with Capital For Enterprise Fund A L.P. ("Capital for Enterprise Fund"). The CfE Loan will be repayable by no later than 29 June 2015. The Company may, however, at its option repay part, or all, of the loan ahead of the maturity date. Interest accrues on the loan at 10% per annum. The loan agreement provides for the Company to pay a premium on repayment of the loan. This premium is fixed at either 20% of any amounts repaid in the first 3 years or 25% in years 4 or 5 or at maturity. The CfE Fund has also been granted a warrant to acquire new ordinary shares in the Company at nominal value. The number of shares issuable under the warrant is the lower of 3% of the Company's fully diluted share capital, or such number of shares as equals £500,000 at the then prevailing market price. The warrant is only exercisable on an Exit Event, as defined in the loan agreement.

The following non-IFRS disclosure shows the effect of the accounting treatment.

CfE Loan Due 2015	2010	2009
	£'000	£'000
Amount recorded in non current liabilities	919	-
Add: loan arrangement fees set against liability	107	-
Less: notional interest	(26)	-
Principal loan amount	1,000	-