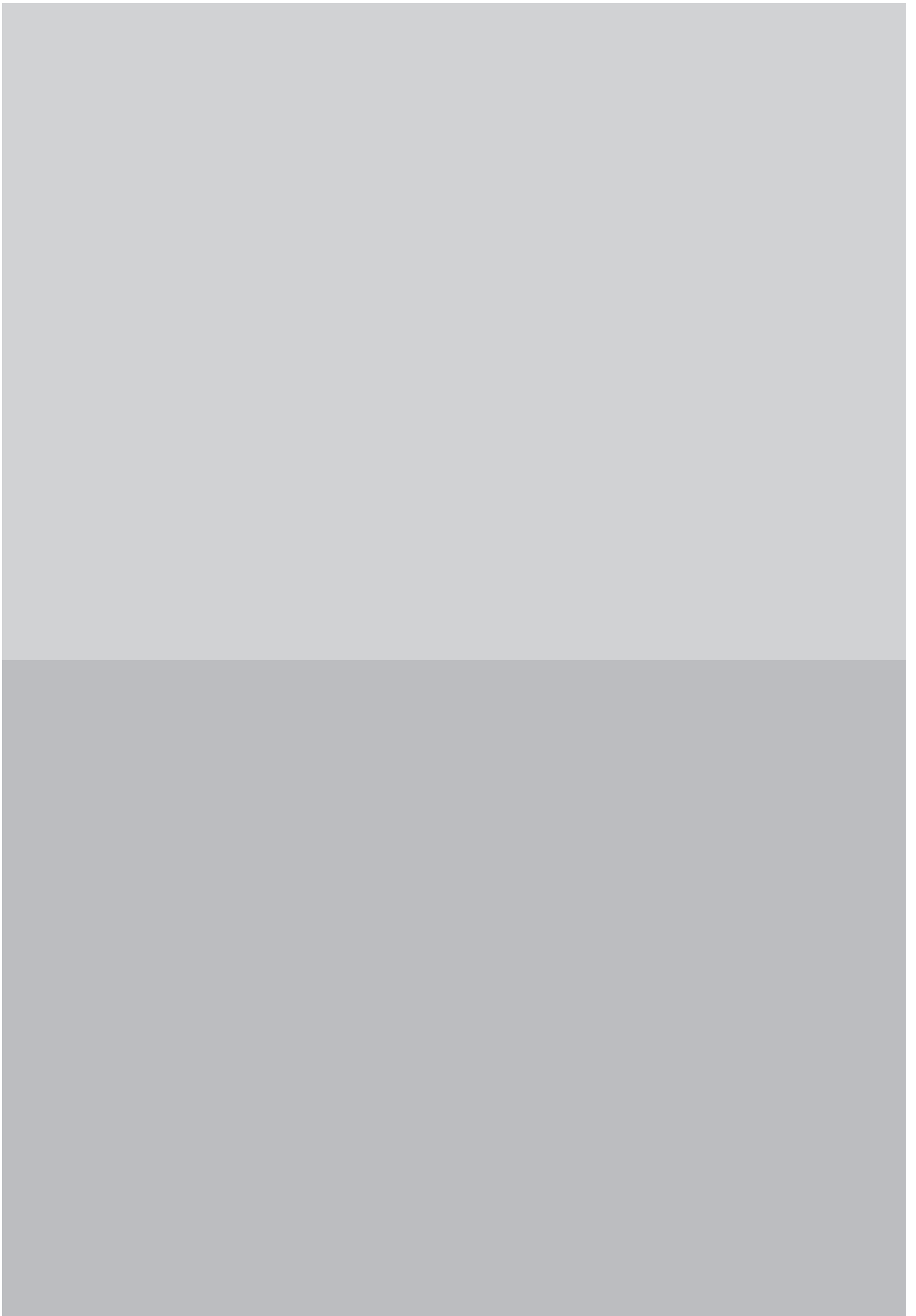
plethora
SOLUTIONS

PLETHORA SOLUTIONS HOLDINGS plc

ANNUAL REPORT AND ACCOUNTS

2010



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Company registration number:	05341336
Registered Office:	Fourth Floor 233 High Holborn London WC1V 7DN
Directors:	W J Robinson (Non-Executive Chairman) J R Openshaw (Interim CEO & CFO) M G Wyllie (Chief Scientific Officer) S J Powell (Executive Director) R J Horsman (Non-Executive Director)
Company Secretary:	J R Openshaw
Nominated adviser and Nominated broker:	Hybridan LLP Warnford Court 29 Throgmorton Street London EC2N 2AT
	Daniel Stewart & Company Plc Becket House 36 Old Jewry London EC2R 8DD
Registrars:	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Bankers:	Lloyds TSB Bank plc Second Floor 25 St George Street Mayfair London W1S 1FS
Solicitors:	Morrison & Foerster MNP Seventh Floor City Point One Ropemaker Street London EC2Y 9AW
Independent Auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Abacus House Castle House Cambridge CB3 0AN

INTRODUCTION

Plethora's strategy is to become a profitable speciality 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 speciality 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 eleven products covering prescription pharmaceuticals, CE marked medical devices and OTC healthcare products.

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-Argenol™	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 – all of Plethora's consumer products are 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. We can report that 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. from 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 11 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 February 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 income for the year was £1,194k (2009: £17,742k) and comprised Reimbursement Income from Shionogi, Sales by The Urology Company and Other Operating Income.

The Company received further Reimbursement Income from Shionogi of £1,072k (2009: £17,742k) 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: £8,240k) a decrease of 73%.

Net 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 £1,322k (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 the 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 £15.3m 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 Convertible Loan Notes Due 2012.

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 issue of 2,360,000 new ordinary shares at 12.5p per share and the issue

of £255,000 of Convertible Loan Notes Due 2012. 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.

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.

Bill Robinson — Ronald Openshaw

31 May 2011

The directors present their annual report together with the audited consolidated financial statements for the Group for the year ended 31 December 2010

Principal activity

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

Business review

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

The Group recorded a loss for the year after taxation of £1.4 million (2009: Profit £9.6 million).

The directors do not recommend the payment of a dividend (2009: nil).

Principal business and non financial risk

The Group's principal business risks are: (i) the receipt of milestone and royalty income from development projects which is dependent on the successful progress through regulatory development, partnering and commercial launch; (ii) the growth in sales and margins of products sold by the Group's sale and marketing business; and (iii) the management of the Group's cost base.

Financial risks and management

The Group's financial risk management policies are disclosed in Note 20 to the financial statements.

Post balance sheet events

Since 31 December 2010 the following significant post-balance sheet events have occurred:

- Placing of new ordinary shares
- Board and management changes

Full details of each of these are set out in Note 27 of the financial statements.

Directors

The directors of the Company who served during the year ended 31 December 2010 and up to the date of signing the financial statements were as follows:

W J Robinson
J R Openshaw
S J Powell
M G Wyllie
R J Horsman (appointment 3 February 2011

The interests of the directors and their families in the shares of the Company at 31 December 2010, or the date of their resignation if earlier, are set out in the table below. Details of directors' interests in share options are disclosed in the Remuneration report.

	2010 Number	2009 Number
W J Robinson	1,000,000	1,000,000
S J Powell	504,100	504,100
M G Wyllie	686,494	686,494
J R Openshaw	250,000	250,000
R J Horsman*	160,000	–
S M Wallis	–	22,300
N B Stafford	–	486,594

* Richard Horsman's interests are as the date of his appointment on 3 February 2011.

Key performance indicators

The directors consider turnover, profit/loss for the period and cashflow to be the key financial performance indicators of the Group – the results of which are set out on the consolidated statement of comprehensive income on page 19. The directors consider the results satisfactory. In the prior year, the results of clinical trials were considered to be a key non financial performance indicator.

Share capital

Details of the Company's share capital, including the number of shares issued in the period under review, are given in Note 22 to the financial statements. The Group's policy for managing capital and financing to support the activities of the Group is detailed in Note 21 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 5 May 2011, were as follows:

Significant Shareholders	No shares	%
Forest Nominees Limited	9,348,180	14%
Merlin General Partner III Limited	8,059,180	12%
XCap Nominees Limited	6,099,706	9%
J M Finn Nominees Limited	4,575,000	7%
Newedge Group SA	4,336,298	7%
Giltspur Nominees Limited	2,867,041	4%
HSBC Global Custody Nominee (UK) Limited	2,689,394	4%
Sciele Pharma Cayman Limited	1,772,505	3%
TD Waterhouse Nominees (Europe) Limited	1,614,446	2%
Total Shares Issued	65,725,800	

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

It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. 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 56 days of average supplies (2009: 84 days). The Company trade payables are nil days (2009: nil days).

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the 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 prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company

financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group 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 accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively;
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, each of the persons who is a director at the date of the approval of this report confirms that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware;
- each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

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

ON BEHALF OF THE BOARD

J R Openshaw
Director

31 May 2011

The directors value the principles of good governance and have applied principles of corporate governance commensurate with the Group's 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 advice from the Company Secretary and independent professional advice at the Group's expense.

The Board consists of three executive directors, who hold the key operational positions in the Group and two 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 Bill Robinson and the Group's business is run by Steven Powell, Ronald Openshaw and Mike Wyllie. The biographies of the current directors are set out below:

William (Bill) Robinson (Non-Executive Director)

Bill Robinson was previously 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 was a Non Executive Director for Sciele Pharma, Inc. of Atlanta, Georgia, USA, until its sale to Shionogi, a major Japanese Pharmaceutical company, in November 2008. Prior to joining UCB Bill held senior executive positions with Eli Lilly, Bourroughs Wellcome and Servier.

Ronald Openshaw (Interim CEO & CFO)

Ronald Openshaw is an executive director of the Company and was appointed to the board following the restructuring on 26 May 2009. Ronald is CEO of Lucia Capital LLP, a specialist M&A advisory firm focused on the healthcare sector. Ronald spent many years as an investment banker with Jeffries International Limited, West LB Panmure Limited/Panmure Gordon & Co. Limited. He also served as CFO and latterly CEO of Pharmagene plc taking it through a merger to become Asterand plc. Lucia Capital has supplied Ronald's services to the Company as Interim CEO and CFO since February 2009.

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 in 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.

Dr Steven Powell (Director – formerly Chief Executive Officer)

Steven Powell 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.

Richard Horsman (Non-Executive Director)

Richard Horsman was previously CEO of Cybit Holdings plc. During his tenure at Cybit he grew the company from inception to revenues of £25m and took the company through multiple acquisitions. In January 2010 Cybit was acquired in a deal with a US based private equity firm which returned £24m to shareholders at over a 100% premium to the prevailing market price. Prior to this, Richard held a number of senior roles in the IT industry including Global Telematics PLC and the Baan Company. Richard will assume the roles of senior independent non-executive director and chairman of the remuneration committee.

Relations with shareholders

The directors value the views of the Group's shareholders and recognise their 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 has been established, chaired by Bill Robinson, which meets half yearly and is responsible for ensuring that the financial performance of the Group is properly 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 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 Urology Company achieves sales and earns margin broadly in line with budget; that certain of the planned capital management and financing activities are completed and that the Company's lenders do not withdraw any of its existing financing facilities.

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.

Directors' remuneration

The board 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 contains incentives to deliver the Group's objectives. A separate remuneration committee has been established comprising the non-executive directors and is chaired by Richard Horsman.

The remuneration of the directors was as follows:

	WJ Robinson £'000	S J Powell £'000	MG Wyllie £'000	JR Openshaw £'000	M Docherty £'000	D Ellam £'000	AG Hayes £'000	SM Wallis £'000	NB Stafford £'000	Total £'000
2010										
Salary and fees	40	184	154	92	–	–	–	–	–	470
Bonuses	–	–	–	–	–	–	–	–	–	–
Benefits in kind	–	11	4	–	–	–	–	–	–	15
	40	195	158	92	–	–	–	–	–	485
Pension	–	6	4	–	–	–	–	–	–	10
	40	201	162	92	–	–	–	–	–	495
2009										
Salary and fees	36	184	170	121	15	77	7	25	13	648
Bonuses	–	–	–	–	–	–	–	–	–	–
Benefits in kind	–	9	9	–	–	1	–	–	–	19
	36	193	179	121	15	78	7	25	13	667
Pension	–	9	10	–	–	9	–	–	–	28
	36	202	189	121	–	87	7	25	13	695

The amounts shown in the table above include amounts paid to companies which provide the services of certain directors:

- £65,000 (2009: £105k) was paid to Lucia Capital LLP to provide the services of Mr Openshaw;

- £76,000 (2009: £9k) was paid to Mens Health Limited, Wellbeings Limited and Global Pharma Limited to provide the services of Dr Wyllie;
- £Nil (2009: £20k) was paid to Stuart Wallis Associates to provide the services of Mr Wallis;
- £Nil (2009: £13k) was paid to Ann Hayes Consulting Limited to provide the services of Dr Hayes; and
- £Nil (2009: £15k) was paid to Excalibur Fund Managers Limited to provide the services of Mr Docherty.

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 period for Dr Powell is 12 months. The notice period for Dr Wyllie is 6 months. The notice periods for Mr Robinson, Mr Openshaw and Mr Horsman are 1 month.

Share option incentives

At 31 December 2010 the following options were held by the directors:

	At beginning of the year	Granted in the year	At end of the year	Exercise price
W J Robinson	–	220,750	220,750	0p
S J Powell	1,334,951	1,025,600	2,360,551	0p to 175p
M G Wyllie	724,491	811,600	1,536,091	0p to 202p
J R Openshaw	–	509,250	509,250	0p
R J Horsman	–	–	–	–

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.

Awards under the long term incentive plan ("LTIP") are made according to the Scheme and vest on the third anniversary of the award based on achieving certain performance criteria. The LTIP is described in greater detail in Note 7.

The market price as at 31 December 2010 was 10.0p and the range during the year was 9.5p to 16.5p.

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 2010 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on pages 10 and 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning going concern. The financial statements have been prepared on a going concern basis and the validity of this depends on the Group achieving its forecast cash flow taking into account material uncertainties in relation to: receiving certain milestone and royalty 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; achieving sales and margins broadly in line with budget for the Urology Company Limited; the Group completing certain planned capital management and financing activities; and the Group's lender not withdrawing any of its existing financing facilities. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result from a failure to obtain such funds or secure such future revenues.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Plethora Solutions Holdings plc for the year ended 31 December 2010. That report includes an emphasis of matter paragraph in relation to going concern.

Simon Ormiston (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

31 May 2011

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Revenue	3	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	4	582	–
– net research & development expenses		(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	5	(1,013)	9,502
Finance costs	8	(487)	(421)
Finance income	8	2	4
(Loss)/ profit from continuing operations for the year before taxation		(1,498)	9,085
Income tax credit	9	95	324
(Loss)/profit from continuing operations		(1,403)	9,409
Profit from discontinued operations	10	–	165
Total comprehensive (loss)/income for the year attributable to equity shareholders		(1,403)	9,574
Total and continuing loss per ordinary share			
Basic earnings/(loss) per share from continuing operations	11	(3.2)p	29.8p
Basic earnings/(loss) per share from discontinued operations	11	–	0.5p
Basic earnings/(loss) per share from total operations	11	(3.2)p	30.3p
Diluted earnings/(loss) per share from continuing operations	11	(3.2)p	19.4p
Diluted earnings/(loss) per share from discontinued operations	11	–	0.3p
Diluted earnings/(loss) per share from total operations	11	(3.2)p	19.7p

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

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000 Represented
ASSETS			
Non current			
Property, plant and equipment	12	7	34
Current			
Trade and other receivables	14	205	226
Inventory	15	165	–
Cash and cash equivalents	16	756	1,428
		1,126	1,654
Total assets		1,133	1,688
LIABILITIES			
Current			
Trade and other payables	18	(728)	(2,593)
Non-current			
Borrowings	19	(3,707)	(2,166)
Total liabilities		(4,435)	(4,759)
Net liabilities		(3,302)	(3,071)
EQUITY			
Share capital	22	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)

The financial statements were approved by the Board of directors and authorised for issue on 31 May 2011 and are signed on its behalf by:

J R Openshaw
Director

Registered number: 05341336

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

For the year ended 31 December 2010

	Share capital £'000	Share premium £'000	Other reserves £'000	Convertible loan note reserve £'000	Share based payment reserve £'000	Retained loss £'000	Total £'000
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 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)
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)

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

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
(Loss)/profit after taxation		(1,403)	9,409
Profit from discontinued operations		–	165
Finance income		(2)	(4)
Finance costs		487	421
Share-based payment charge		78	41
Depreciation of property, plant and 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 by)/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 and 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		1,145	1,115
Share issue costs		(61)	(93)
Repayment of borrowings		–	(2,848)
Proceeds from receipt of borrowings		1,255	1,450
Loan issue costs		(132)	–
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 and cash equivalents at the beginning of period		1,428	515
Cash and cash equivalents at end of period	16	756	1,428

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

1. GENERAL INFORMATION

Plethora Solutions Holdings plc (the "Company") and its subsidiaries' (together the "Group") principal activities are the development and sale of drugs, medical devices and consumer healthcare products for the diagnosis, treatment and management of urological and sexual health 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 2010 (including the comparative information for the year ended 31 December 2009) were approved by the board of directors on 31 May 2011. Amendments to the financial statements are not permitted after they have been approved.

2. ACCOUNTING POLICIES

Basis of preparation

These consolidated 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 and in accordance with the Companies Act 2006.

The balance sheet for the prior year has been represented to classify £171k of accrued interest as non-current borrowings, having previously been recorded as trade and other payables.

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.

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 Urology Company achieves sales and earns margin broadly in line with budget; that certain of the planned capital management and financing activities are completed and that the Company's lenders do not withdraw any of its existing financing facilities.

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.

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.

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.

Standards and interpretations not yet applied by the Group

In the current year, the following new or amended standards and interpretations have also been adopted. Their adoption has not had a significant impact on the amounts reported or the disclosure and presentation in these financial statements, but may impact the accounting or the disclosure and presentation for future transactions and arrangements:

- IAS 39 (Amendment) 'Eligible hedged items' is effective for annual reporting periods commencing on or after 1 July 2009. The amendment prohibits the time value component of derivative options being designated as an effective hedge.

- IFRS 3 (Revised) 'Business combinations' is effective prospectively for business combinations with acquisition dates on or after the beginning of the first annual reporting period commencing on or after 1 July 2009. The amendment changes the way in which step acquisitions are to be accounted for and requires acquisition costs to be expensed in the income statement after a specified period. Furthermore, in accordance with the transition requirements, the recognition of deferred tax assets from past acquisitions is reflected in the income statement, and not in goodwill.

- IFRS 7 (Amendment) 'Financial instruments: disclosure' is effective for annual reporting periods commencing on or after 1 July 2009. The amendment requires enhanced disclosure for fair value and measurement risk.

- IFRS 2 (Amendment) 'Share-based payments', is effective for annual reporting periods commencing on or after 1 January 2010. This amendment clarifies the scope and accounting for group settled share-based payments.

At the date of authorisation of these financial statements, the following Standards and interpretations that are expected to impact on the Company but which have not been applied in these financial statements were in issue but not yet effective:

- IAS 12 (Amendment) 'Income taxes' is effective for annual reporting periods commencing on or after 1 January 2011. The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. A further amendment is effective for annual reporting periods commencing on or after 1 January 2012, which introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value.

- IAS 24 (Amendment) 'Related parties', is effective for annual reporting periods commencing on or after 1 January 2011. The amendment clarifies the definition of related parties.

- IAS 32 (Amendment) 'Classification of rights' is effective for annual periods commencing on or after 1 February 2010. The amendment clarifies the treatment of rights, options or warrants issued to acquire a fixed number of an entity's own equity instruments for a fixed amount of consideration.

- IFRS 9 'Financial instruments' is effective for annual reporting periods commencing on or after 1 January 2013. This standard will eventually replace IAS 39 but currently only details the requirements for recognition and measurement of financial assets.

- IFRIC 14 (Amendment) 'Prepayments of a minimum funding requirement' is effective for annual reporting periods commencing on or after 1 January 2011. The amendment remedies one of the consequences of IFRIC 14, whereby an entity under certain circumstances is not allowed to recognise an asset for the prepayment of a minimum funding agreement.

- IFRIC 19 "Extinguishing financial liabilities" is effective for annual reporting periods beginning on or after 1 July 2010. The IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a "debt for equity swap").

The directors anticipate that the Company will adopt these standards and interpretations on their effective dates.

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:

Computer equipment	3 years
Fixtures and fittings	3 to 5 years

Residual assets values are reassessed annually.

Impairment

The carrying value of non-current assets is reviewed whenever events or changes in circumstances indicate that the carrying value may not be recoverable to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of property, plant and equipment is the greater of their fair value less costs to sell and value in use.

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.

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.

Inventory

Inventories are stated at the lower of cost and net realisable value, being the estimated selling prices in the ordinary course of business less applicable variable selling costs. In general, cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective inventory.

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.

Financial liabilities

The Group's financial liabilities include 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 costs" 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.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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.

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.

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

Revenue recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and reimbursement of development expenditure, 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 licence 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.

Income in relation to product sales is typically recognised on dispatch in accordance with the shipping terms.

License fees are recognised as revenue when all substantial obligations to the licensee have been fulfilled.

Income in relation to the reimbursement of research and development costs incurred is recognised as revenue when:

- The stage of completion of the transaction at the end of the reporting period can be measured reliably;
- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Government Grants

The Group has received research grants from government entities in the UK. Once the outcome of a grant application is sufficiently certain, the grant is recognised as other operating income over the periods necessary to match with the related costs and is shown as deferred or accrued income in the balance sheet as appropriate.

Segmental reporting

The chief operating decision-maker has been identified as the board of directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the business primarily from an activity perspective, assessing the performance of product development referred to as "Plethora Development" and the sales and marketing of pharmaceutical and healthcare products in the UK and continental Europe referred to as "The Urology Co".

The Board assesses the performance of the operating segments based on a measure of income, and directly attributable expenses. Finance income is also included in the result for each operating segment that is reviewed by the Board. Other information provided to the Board is measured in a manner consistent with that in the financial statements.

Research & Development 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 do not meet the criteria for capitalisation in accordance with IFRS and are expensed as incurred.

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.

Share based employee remuneration

The Company issues equity-settled, share-based payments to certain employees of subsidiary undertakings, detailed in the Report of the directors, the Report on Remuneration and in note 7 to the consolidated financial statements.

Equity-settled, share-based payments are measured at fair value at the date of grant.

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. 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.

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.

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.

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.

Significant accounting estimates and judgements

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 on page 23.

During the year, the Group earned revenue from product sales and from the re-imbursement of R&D expenses incurred in relation to out-licensed or co-development projects. Product sales made by The Urology Co 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. SEGMENTAL REPORTING

At 31 December 2010, the Group is organised into two main business segments: the development of new pharmaceutical products referred to as "Plethora Development" and the sale and marketing of pharmaceutical and healthcare products in the UK and continental Europe referred to as "The Urology Co". Unallocated costs represent shared property costs, support services, such as finance and IT and corporate expenses which cannot be directly attributed to either business segment.

The Group operates from a single geographical area, namely the United Kingdom.

Year ended 31 December 2010	Plethora Development £'000	The Urology Co £'000	Unallocated £'000	Group £'000
Continuing operations				
Revenue – external customers	1,072	33	–	1,105
Net exceptional gains in the year	582	–	–	582
Other operating income	89	–	–	89
Depreciation	(31)	–	–	(31)
Other operating costs	(1,436)	(861)	(461)	(2,758)
Finance costs	–	–	(487)	(487)
Finance income	1	–	1	2
Profit/(loss) before tax	277	(828)	(947)	(1,498)
Taxation	95	–	–	95
Profit/(loss) for the year from continuing operations	372	(828)	(947)	(1,403)
Inventories	–	165	–	165
Other segment assets	7	109	–	109
Unallocated assets				
– Current assets	–	–	852	852
Total assets	7	274	852	1,133
Other segment liabilities	(189)	(168)	–	(357)
Unallocated liabilities				
– Borrowings	–	–	(3,707)	(3,707)
– Current liabilities	–	–	(371)	(371)
Total liabilities	(189)	(168)	(4,085)	(4,435)
Net (liabilities)/assets	(182)	106	(3,226)	(3,302)

Year ended 31 December 2009	Plethora Development £'000	The Urology Co £'000	Unallocated £'000	Group £'000
Continuing operations				
Revenue – external customers	17,742	–	–	17,742
Depreciation	(26)	–	–	(26)
Other operating costs	(6,736)	(121)	(1,357)	(8,214)
Finance costs	–	–	(421)	(421)
Finance income	1	–	3	4
Profit/(loss) before tax	10,981	(121)	(1,775)	9,085
Taxation	324	–	–	324
Profit/(loss) for the year from continuing operations	11,305	(121)	(1,775)	9,409
Other segment assets	34	–	–	34
Unallocated assets				
– Current assets	–	–	1,654	1,654
Total assets	34	–	1,654	1,688
Other segment liabilities	(2,001)	–	–	(2,001)
Unallocated liabilities				
– Borrowings	–	–	(2,166)	(2,166)
– Current liabilities	–	–	(592)	(592)
Total liabilities	(2,001)	–	(2,758)	(4,759)
Net liabilities	(1,967)	–	(1,104)	(3,071)

4. EXCEPTIONAL ITEMS

Exceptional items relate to accruals made in 2009 for project development costs in relation to developing products for which control had passed to third parties in 2008/09. These parties have taken greater control over the process during 2010 and as a result, costs that had been expected to have been incurred by the Group, which would subsequently be eligible for reimbursement, have been incurred directly by those third parties. Therefore, management have considered it necessary to release these accruals as it is deemed that no costs will be incurred.

5. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging:

	2010 £'000	2009 £'000
Auditors' remuneration:		
Audit services:		
– Company	33	28
– subsidiary undertakings	19	16
Non Audit Services:		
– corporate taxation	24	8
– other services	7	–
Operating lease charges:		
Land and buildings	121	121
Depreciation and amortisation:		
Property, plant and equipment – owned	31	26

6. DIRECTORS AND EMPLOYEES

	2010 Number	2009 Number
The average number of persons (including directors) employed by the Group during the period was:		
Administration and management staff	5	4
Other employees	6	10
	11	14
	£'000	£'000
Staff costs during the period were as follows:		
Wages and salaries	769	1,217
Social security costs	90	144
Other pension costs	21	43
Share based compensation	78	41
	958	1,445

Remuneration in respect of directors, including the highest paid director, is disclosed in the Report on Remuneration. No other employees were considered key management.

7. SHARE BASED EMPLOYEE REMUNERATION

Share options have been granted to Directors and employees under the following schemes:

i. 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;
- options vest on the third anniversary of the date of grant;
- 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.

ii. Long Term Incentive Plan (LTIP)

The Long Term Incentive Plan (LTIP) is available to all employees and directors of the group subject to the discretion of the Remuneration Committee of Plethora Solutions Holdings plc, with awards recommended by the Board of Directors for key employees. Related options will vest in the event that certain performance targets in relation to the results for the year ended 31 December 2011 are met.

In addition to the original grant on 30 June 2010, further grants were made on 28 September 2010 and 20 December 2010 subject to the following rules:

- options are granted for the shares of Plethora Solutions Holdings plc to employees of subsidiary companies;
- awards may only be granted within the period of six weeks beginning with the date on which the Plan is approved by shareholders in general meeting and after that within the period of six weeks beginning with the Dealing Day next following the date on which the Company announces its annual or half-yearly results, or at any other time that the Remuneration Committee may in exceptional circumstances determine; and within the period of 10 years beginning with the date on which the Plan is approved by the shareholders in general meeting.
- the price per Share at which a Participant may acquire Shares on the exercise of an Option shall be nil and no consideration shall be payable at any time in respect of Allocated Shares.

- awards granted to Senior Employees shall be subject to a performance condition specified by the Remuneration Committee in the Award certificate except in exceptional circumstances.
- options may be exercised at any time between the third anniversary of the Award Date (or the end of the Performance Period, if later) and the tenth anniversary of the Award Date;
- except in certain limited circumstances, all options lapse if an employee leaves the Group

Movements in the total number of share options outstanding and their relative weighted average exercise prices are as follows:

	31 December 2010		31 December 2009	
	Number of options	Weighted average exercise price (pence)	Number of options	Weighted average exercise price (pence)
At 1 January	2,370,458	91	5,047,012	124
Granted	2,917,200	0	–	–
Forfeited	(44,591)	59	(2,676,554)	153
At 31 December	5,243,067	40	2,370,458	91

The Outstanding options may be analysed as follows:

	31 December 2010		31 December 2009	
	Number of options	Weighted average exercise price (pence)	Number of options	Weighted average exercise price (pence)
Vested and exercisable	1,555,555	77	–	–
Unvested	3,687,512	35	2,370,458	91
	5,243,067	40	2,370,458	91

Share options outstanding at each reporting date have the following expiry date and exercise prices.

Expiry date	Exercise price in Pence per share	2010 Number	2009 Number
2008 (up to 2013)	78	1,623,736	1,623,736
2009 (up to 2014)	202	55,409	100,000
2010 (up to 2015)	275	264,857	264,857
2011 (up to 2016)	59	381,865	381,865
2012 (up to 2020)*	–	2,917,200	–
		5,243,067	2,370,458

*Not applicable for awards under the LTIP scheme

The weighted average remaining contractual life of the outstanding options was 7 years and 2 months (2009: 3 years and 8 months).

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of services received is measured based on the Black-Scholes valuation Model. The significant inputs into the model for each grant during the year and the prior year were:

Date of grant	2010 LTIP 30 June 2010	2010 LTIP 28 September 2010	2010 LTIP 20 December 2010
Share price at grant date	12.75p	10.52p	10.12p
Exercise price	–	–	–
Number of employees	7	1	6
Shares under option	1,671,500	50,000	1,195,700
Vesting period (months)	36	36	36
Expected volatility			
(expressed as standard deviation of expected share price returns)	96%	96%	96%
Expected option life (months)	120	120	120
Risk free interest rate (based on national Government bonds)	3.0%	3.0%	3.0%
Dividend yield	0%	0%	0%
Fair value per option	13p	11p	10p

There were no share option grants during 2009.

The expected volatility for those options granted during the year was determined by reference to the Company's share price since Listing in 2005; for those options granted in prior years volatility was estimated based on the historical volatility of comparable listed companies. Share options are granted under a service condition. Such conditions are not taken into account in the fair value measurement of the services received. There are no market conditions associated with the share option grants.

In total £78,000 of employee remuneration expense has been included in the consolidated income statement for the year ended 31 December 2010 (31 December 2009: £41,000) which was recorded in the share based payment reserve. No liabilities were recognised due to share based payment transactions.

8. FINANCE INCOME AND EXPENSE

	2010 £'000	2009 £'000
Bank interest receivable	2	4
Finance income	2	4
Effective interest charge on borrowings	(484)	(414)
Other charges	(3)	(7)
Finance costs	(487)	(421)

9. INCOME TAX CREDIT

The tax credit is based on the (loss)/profit for the year and represents:

	2010 £'000	2009 £'000
UK corporation tax:		
Adjustments in respect of prior years	(95)	(324)
Current tax credit for the year	(95)	(324)
Deferred taxation (note 17)	–	–
Tax on (loss)/profit on continuing operations	(95)	(324)

The tax assessed is lower than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained as follows:

	2010 £'000	2009 £'000
(Loss)/profit on ordinary activities before tax	(1,498)	9,085
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	(419)	2,544
Effect of:		
Expenses not deductible for tax purposes	56	100
Depreciation in excess of capital allowances	8	9
Utilisation of previously unrecognised tax losses	(100)	(3,172)
Unutilised tax losses	455	519
Adjustments in respect of prior years: R&D tax credits	(95)	(324)
	(95)	(324)

At 31 December 2010 the Group had tax losses of £20 million (2009: 17 million) to offset against future profits within the United Kingdom.

A number of changes to the UK corporation tax system were announced in the 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, included legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011.

Further changes were announced in the March 2011 budget. On 29 March 2011 a reduction in the main rate of corporation tax to 26% from 1 April 2011 was substantively enacted. Further reductions of 1% per annum thereafter to reduce the rate to 23% by 1 April 2014 were announced. As these changes had not been substantively enacted at the balance sheet date, they have accordingly not been included in these financial statements.

If these further changes had been enacted at the balance sheet date, they would not have had a material impact on the recognised deferred tax assets and liabilities at 31 December 2010.

10. 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 that compromise was the agreement to dispose of it subsidiary Timm Medical Technologies Inc. to Paul Capital Healthcare. A profit of £165,000 was realised on this disposal.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the (loss)/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 Loss 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 43,815,650 (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 on the loss per share of share options and convertible loans is anti-dilutive on the loss. For the year ended 31 December 2009, diluted earnings per share were calculated based on 49,148,951 shares.

12. PROPERTY, PLANT AND EQUIPMENT

	Fixtures, fittings, computers and equipment £'000
Cost	
At 1 January 2009	198
Additions	14
At 31 December 2009	212
Additions	4
At 31 December 2010	216
Depreciation	
At 1 January 2009	152
Charge for the year	26
At 31 December 2009	178
Charge for the year	31
At 31 December 2010	209
Net book value	
At 1 January 2009	46
At 31 December 2009	34
At 31 December 2010	7

13. PRINCIPAL SUBSIDIARIES

At 31 December 2010 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	Dormant
The Urology Company Holdings Limited	United Kingdom	£1 Ordinary	100	Intermediate holding company
The Urology Company Limited	United Kingdom	£1 Ordinary	100	Marketing and distribution of drugs

14. TRADE AND OTHER RECEIVABLES

	2010 £'000	2009 £'000
Trade receivables	16	24
Other receivables	78	78
Prepayments and accrued income	111	124
Total	205	226
Impairment of trade and other receivables	–	–
	205	226

At the 31 December 2010, some of the unimpaired trade receivables are past their due date. The age of financial assets past due but not impaired, is as follows:

	2010 £'000	2009 £'000
Not more than one month	13	24
Not more than two months	3	–
	16	24

Trade and other receivables are usually due within 30 days and do not bear any effective interest rate. The trade receivables consist of amounts due from product sales. The directors consider credit risk in relation to these receivables to be immaterial.

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

15. INVENTORY

	2010 £'000	2009 £'000
Finished goods for resale	165	–
	165	–

No write downs or obsolescence provisions have been recognised in respect of inventory. £24k (2009: £nil) has been recognised as an expense in respect of inventory during the year.

16. CASH AND CASH EQUIVALENTS

	2010 £'000	2009 £'000
Cash and cash equivalents	756	1,435
Overdraft	–	(7)
	756	1,428

Cash and cash equivalents consist of cash on hand and balances with banks only.

17. DEFERRED TAXATION

At 31 December 2010, the Group had an unprovided deferred tax asset relating to losses carried forward of £6 million (2009: £4 million). The asset has not been recognised for as the directors do not foresee utilisation of these losses in the foreseeable future.

Other deferred tax assets and liabilities arising from other temporary differences are considered to be insignificant.

18. CURRENT LIABILITIES : TRADE AND OTHER PAYABLES

	2010 £'000	2009 £'000 Represented
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.

19. BORROWINGS

	2010 £'000	2009 £'000 Represented
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 for convertible loan notes and third party borrowings are as follows:

	2010 £'000	2009 £'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 Group 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	31 December 2010 £'000	31 December 2009 £'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 ("CfE Loan") with Capital For Enterprise Fund A L.P. ("CfE Fund"). The CfE Loan will be repayable by 29 June 2015. However, the Company may, at its option, repay part, or all, of the loan ahead of the maturity date. During the year the Company received a waiver from the CfE fund which remedied technical breaches of a financial covenant. 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 at 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	31 December 2010 £'000	31 December 2009 £'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	–

20. 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.

Credit risk

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. Details of the age of outstanding amounts are set out in note 14. The Group works to ensure that it receives acceptable trading terms from its suppliers. Cash is held with UK high street banks.

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

Interest rate risk

All interest rates are fixed on the Group's borrowings. Interest is paid at 13% on the convertible loan notes due 2012 and at 10% on the CfE Loan (see note 19). 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:

	2010 £'000	2009 £'000
Loans and other receivables	850	1,530
	850	1,530

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

	2010 £'000	2009 £'000
Current assets		
Trade and other receivables	94	102
Cash and cash equivalents	756	1,428
	850	1,530

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

	2010 £'000	2009 £'000 Represented
Financial liabilities	3,589	4,056

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

	2010 £'000	2009 £'000
Current liabilities		
Trade and other payables	369	2,061
Non current liabilities		
Borrowings	3,220	1,995
	3,589	4,056

Trade and other payables are measured at amortised cost and borrowings are measured at their fair values.

21. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure that it can continue as a going concern and has adequate capital to fund marketing and distribution activities.

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 previous research activities of the Group and provide working capital for the Group.

22. SHARE CAPITAL

	2010 £'000	2009 £'000
Allotted, issued and fully paid		
54,325,800 (2009: 41,965,800) ordinary shares of 1 penny each	543	420

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

On 10 May 2010 the Company completed a placing which raised £295,000 in new ordinary shares placed at a price of 12.5p and resulting in the issue of 2,360,000 new ordinary shares of 1p each. This issuance, together with the issue of £255,000 of convertible loan notes on the same date, was part of a financing to raise £550,000.

On 21 December 2010 the Company issued a further 10,000,000 shares at 8.5p each, raising a total capital of £850,000.

On 7 December 2009 the Company issued 11,150,000 new ordinary shares at 10p each. This issuance was part of a placing to raise £1.56 million. On the same date the Company passed a resolution as permitted under the Companies Act 2006 to dispense with the Company's authorised share capital limit.

23. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2010 or 31 December 2009.

24. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2010 or 31 December 2009.

25. LEASING COMMITMENTS

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

	2010 Land and buildings £'000	2009 Land and buildings £'000
Expiring in one to five years	221	342

Lease payments recognised as an expense during the year ended 31 December 2010 amounted to £121,000 (2009: £121,000).

26. TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

During the period the Group transacted with certain related parties:

	Value of services acquired		Amounts due at 31 December	
	2010	2009	2010	2009
	£	£	£	£
Mens Health Limited	76,437	–	–	–
Wellbeings Limited	–	2,040	–	–
GPC	41,483	6,711	–	–
Stuart Wallis Associates	–	20,000	–	–
Anne Hayes Consultancy Limited	–	13,000	–	–
Excaliber Fund Managers Limited	–	15,086	3,226	10,000
Lucia Capital	65,000	104,947	–	6,195

£76k of the fees paid to Dr Wyllie were paid to Mens Health Limited, GPC and Wellbeings Limited (2009: £9k). Dr Wyllie is a director and majority shareholder of Mens Health Limited, Wellbeings Limited and GPC.

During 2009 £20k to Stuart Wallis Associates to provide the services of Mr Wallis.

During 2009 £7k was paid to Anne Hayes Consulting Limited to provide the services of Dr Hayes.

During 2009 £15k was paid to Excalibur Fund Managers Limited to provide the services of Mr Docherty who served as a director of the Company during 2009, is a director of Excalibur Fund Managers Limited.

In addition to the fees paid to Mr Openshaw in his capacity as a director, the Group paid £65k (2009: £105k) into Lucia Capital LLP to supply his services as Interim CFO to the Group. Mr Openshaw is a partner in Lucia Capital LLP.

27. POST BALANCE SHEET EVENTS

Placing Of New Ordinary Shares

On 1 April 2011, the Board of Plethora announced that it has raised £855,000 before expenses via a conditional placing (the "Placing") of 11,400,000 new ordinary shares of 1 penny each, at a price of 7.5 pence per share (the "Placing Shares"). This placing was completed on 26 April 2011.

In addition, the Group has agreed terms to enter into a loan facility of £400,000 ("Loan").

Board & Management Changes

On 3 February 2011, the Group announced that Mr Horsman had been appointed as a non-executive director and that Mr Hargan had been appointed as VP Commercial operations.

On 11 March 2011, the Group announced that Dr Powell, CEO, has been granted a leave of absence from the Company as a result of a serious medical condition. On the same date Mr Openshaw was appointed interim CEO.

PLETHORA SOLUTIONS HOLDINGS PLC

COMPANY FINANCIAL STATEMENTS

STATUTORY ANNUAL REPORT (UNDER UK GAAP)

FOR THE YEAR ENDED 31 DECEMBER 2010

COMPANY NUMBER 05341336

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We have audited the parent company financial statements of Plethora Solutions Holdings plc for the year ended 31 December 2010 which comprise the Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on pages 10 and 11, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the parent company's financial statements concerning going concern. The financial statements have been prepared on a going concern basis and the validity of this depends on the Group achieving its forecast cash flow taking into account material uncertainties in relation to: receiving certain milestone and royalty 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; achieving sales and margins broadly in line with budget for the Urology

Company Limited; the Group completing certain planned capital management and financing activities; and the Group's lenders not withdrawing any of its existing financing facilities. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result from a failure to obtain such funds or secure such future revenues.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter

We have reported separately on the Group financial statements of Plethora Solutions Holdings plc for the year ended 31 December 2010. That report includes an emphasis of matter in relation to going concern.

Simon Ormiston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

31 May 2011

At 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Investments	5	79,000	79,000
Current assets			
Debtors	6	6	–
Cash at bank and in hand		601	1,203
		607	1,203
Creditors: amounts due within one year	7	(83,207)	(83,129)
Net current liabilities		(82,600)	(81,926)
Total assets less current liabilities		(3,600)	(2,926)
Creditors amounts due after more than one year	8	(3,707)	(2,166)
Net liabilities		(7,307)	(5,092)
Capital and reserves			
Called up share capital	9	543	420
Share premium account	10	22,127	21,166
Convertible loan note reserve	10	224	214
Share based payment reserve	10	294	216
Profit and loss account	10	(30,495)	(27,108)
Total shareholders' deficit		(7,307)	(5,092)

The financial statements were approved by the Board of directors and authorised for issue on 31 May 2011 and are signed on its behalf by:

JR Openshaw
Director

Registered number: 05341336

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 and the Companies Act 2006.

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

The balance sheet for the prior year has been represented to classify £171k of accrued interest as monthly current borrowings having previously been recorded as trade and other payables

2. ACCOUNTING POLICIES

Going concern

In considering the appropriate basis on which to prepare the financial statements, the directors are required to consider whether the Company and 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 Company had net current liabilities of £82,600,000.

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 and Company's financial statements on the going concern basis, which assumes that the Company 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 Company's ability to continue as a going concern. In the event that some combination of the above events fails to occur as expected, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Cash flow statement

The Company is entitled to and has taken advantage of the exemption available under Financial Reporting Standards (FRS) 1 (revised 1996) "Cash flow statements" not to prepare a cash flow statement as its results are included within the consolidated cash flow statement set out on page 22 of this report.

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 612 of the Companies Act 2006 apply, cost represents the nominal value of shares issued together with the fair value of any additional consideration given and costs.

Financial liabilities

The Company's financial liabilities include convertible third party loans and trade and other payables.

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance costs" 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.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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.

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.

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

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 substantively enacted by the balance sheet date.

Share based employee remuneration

The Company issues equity-settled, share-based payments to certain employees of subsidiary undertakings, detailed in the Report of the directors, Report on Remuneration and in Note 7 to the consolidated financial statements.

Equity-settled, share-based payments are measured at fair value at the date of grant. The Company has no employees. Equity-settled, share-based payments that are made available to employees of the Company's subsidiaries are treated as increases in equity over the vesting period of the award, with a corresponding increase in the Company's investments in subsidiaries, based on an estimate of the number of shares that will eventually vest. Where payments are subsequently received from subsidiaries, these are accounted for as a return of a capital contribution and credited against the Company's investments in subsidiaries.

Related party transactions

In accordance with FRS 8, Related party transactions, the Company has and is entitled to and has taken advantage of the exemption from disclosing transactions with all its 100% owned subsidiaries.

3. LOSS FOR THE FINANCIAL YEAR

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the year before dividends was £3,387,000 (2009: £11,306,000).

Auditors' remuneration incurred by the Company during the year for audit services totalled £4,000 (2009: £3,000), and for tax compliance services totalled £1,000 (2009: £1,000). In the prior year, this 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. Details of emoluments receivable by the directors are disclosed in the Remuneration report on pages 15 to 16.

5. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £'000
Cost	
At 1 January 2010	79,190
Additions	78
Disposals	–
At 31 December 2010	79,268
Accumulated Impairment	
At 1 January 2010	(190)
Provided during the period	(78)
At 31 December 2010	(268)
Net book value	
At 31 December 2009	79,000
At 31 December 2010	79,000

Investment in subsidiary undertakings of £79 million (2009: £79 million) represents the investment in the called up share capital of Plethora Therapeutics Limited. Amounts owed to this subsidiary were £83 million, and the net balance with this undertaking is therefore £4 million.

Additions represent the capital contribution arising from the share based payment charge in accordance with FRS 20.

At 31 December 2010 the Company held 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	Dormant
The Urology Company Holdings Limited	United Kingdom	£1 Ordinary	100	Intermediate holding company
* The Urology Company Limited	United Kingdom	£1 Ordinary	100	Marketing and distribution of drugs

* Held indirectly through The Urology Company Holdings Limited.

6. DEBTORS

	2010 £'000	2009 £'000
Prepayments and accrued income	6	–

7. CREDITORS : AMOUNTS DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000 Represented
Amounts owed to Group undertakings	83,133	83,129
Trade creditors	2	–
Accruals	72	–
	83,207	83,129

8. CREDITORS : AMOUNTS DUE AFTER MORE THAN ONE YEAR

	2010 £'000	2009 £'000 Represented
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

(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-UK GAAP disclosure shows the effect of the accounting treatment.

Convertible Loan Notes Due 2012	31 December 2010	31 December 2009
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 ("CfE Loan") with Capital For Enterprise Fund A L.P. ("CfE Fund"). The CfE Loan will be repayable by 29 June 2015. However, the Company may, at its option, repay part, or all, of the loan ahead of the maturity date. During the year the Company received a waiver from the CfE fund which remedied technical breaches of a financial covenant. 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 at an Exit Event, as defined in the loan agreement.

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

CfE Loan Due 2015	31 December 2010	31 December 2009
Amount recorded in non current liabilities	919	–
Add: loan arrangement fees set against liability	107	–
Less: notional interest	(26)	–
Principal loan amount	1,000	–

9. CALLED UP SHARE CAPITAL

	2010 £'000	2009 £'000
Allotted, issued and fully paid		
54,325,800 (2009: 41,965,800) ordinary shares of 1p each	543	420

All ordinary shares capital carry the same voting rights and rights to discretionary dividends.

On 10 May 2010 the Company completed a placing which raised £295,000 in new ordinary shares placed at a price of 12.5p and resulting in the issue of 2,360,000 new ordinary shares. This issuance, together with the issue of £255,000 of convertible loan notes on the same date, was part of a financing to raise £550,000.

On 21 December 2010 the Company issued a further 10,000,000 shares at 8.5p each, raising a total capital of £850,000.

On 7 December 2009 the Company issued 11,150,000 new ordinary shares at 10p each. This issuance was part of a placing to raise £1.56 million. On the same date the Company passed a resolution as permitted under the Companies Act 2006 to dispense with the Company's authorised share capital limit.

10. RESERVES

	Share premium £'000	Convertible Loan note Reserve £'000	Share based Payment reserve £'000	Profit and loss account £'000
At 1 January 2010	21,166	214	216	(27,108)
Loss for the financial year	–	–	–	(3,387)
Equity component of convertible loan	–	10	–	–
Premium on equity share capital issued	1,022	–	–	–
Issue costs on equity share capital issued	(61)	–	–	–
Employee share based compensation	–	–	78	–
At 31 December 2010	22,127	224	294	(30,495)

11. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2010 or 31 December 2009.

12. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2010 or 31 December 2009.

13. POST BALANCE SHEET EVENTS

Placing Of New Ordinary Shares

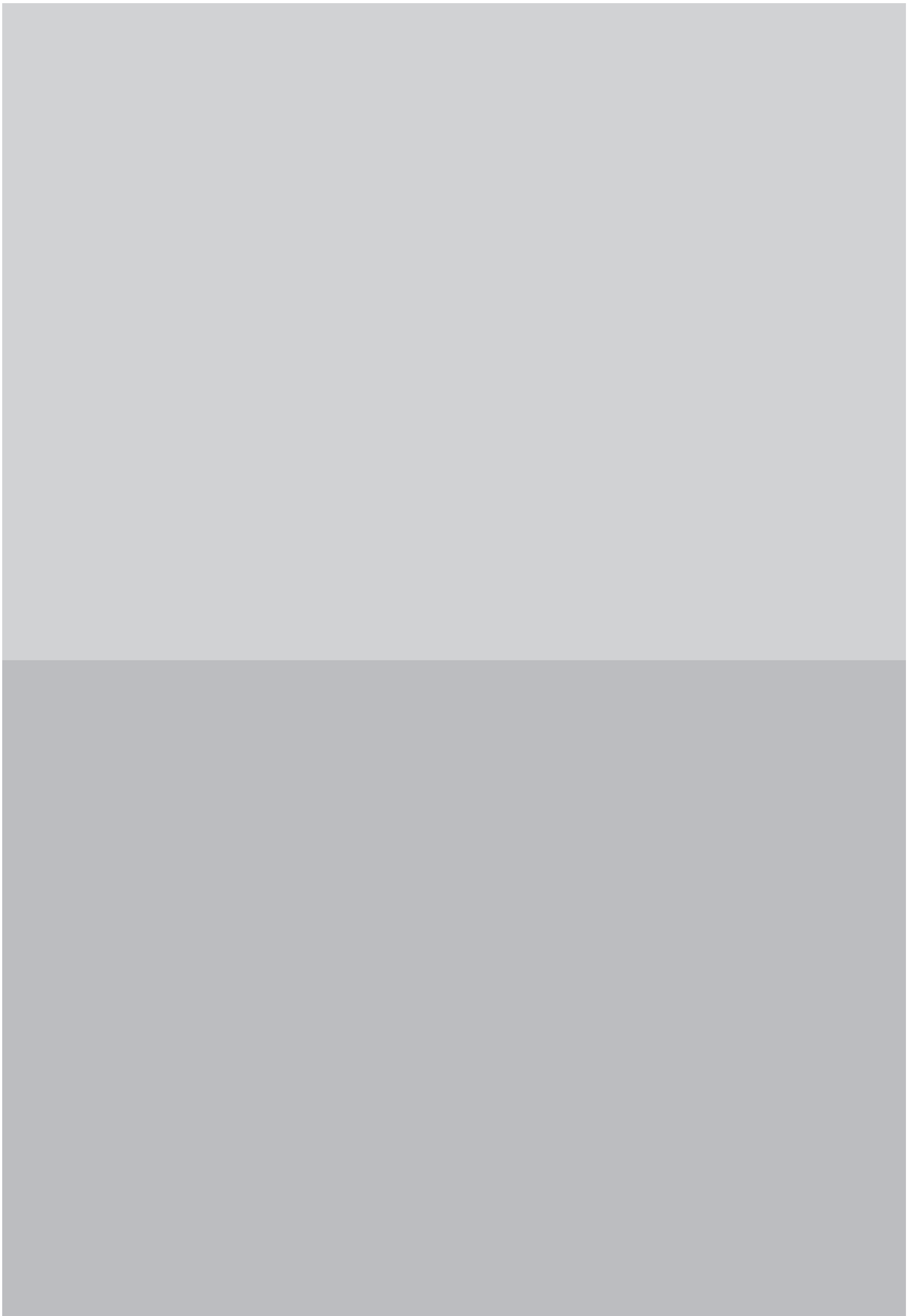
On 1 April 2011, the Board of Plethora announced that it has raised £855,000 before expenses via a conditional placing (the "Placing") of 11,400,000 new ordinary shares of 1 penny each, at a price of 7.5 pence per share (the "Placing Shares"). This placing was completed on 26 April 2011.

In addition, the Company is in advanced discussions to enter into a loan facility of £400,000 ("Loan"). This money is expected to be supplied on terms not materially different to the Company's existing £1m CfE Loan Due 2015.

Board & Management Changes

On 3 February 2011, the Company announced that Richard Horsman had been appointed as a non-executive director.

On 11 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. On the same date Ronald Openshaw was appointed interim CEO.



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