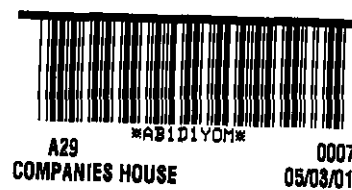


ENDOCRINE PHARMACEUTICALS LIMITED

FINANCIAL ACCOUNTS

YEAR ENDED 30 JUNE 2000



Registered No. 3005721

ENDOCRINE PHARMACEUTICALS LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 30 JUNE 2000

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ENDOCRINE PHARMACEUTICALS LIMITED

COMPANY INFORMATION

Directors

Dr J E Hart
Dr D B Copsey
Dr F W Bonner
Dr J D Coombes (resigned 9 December 1999)
Dr N R Pope (appointed 8 October 1999 & resigned 10 February 2000)
Dr I M Buckley-Golder (appointed 8 October 1999)
Dr S Roe (resigned 8 October 1999)
Mr G Wren (appointed 11 May 2000)

Secretary

Mr A R Thornton

Auditors

Ramon Lee Jacobs
Wakefield House
32 High Street
Pinner
Middlesex
HA5 5PW

Bankers

Lloyds TSB
Bank Court
Marlowes
Hemel Hempstead
Herts
HP1 1BN

Bank of Ireland
John Dalton Street
Manchester
M2 6BN

Registered Office

Wilderness End
Tadley Common Road
Tadley
Hampshire
RG26 3TA

Registered Number 3005721

ENDOCRINE PHARMACEUTICALS LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 June 2000.

Principal activities

The company's principal activity during the year was to develop and exploit the therapeutic and commercial potential of a new regulatory hormone 'Micrin' and related biochemical entities.

Review of the business and future developments

Progress continues towards the commercial exploitation of Micrin, the naturally occurring hormone which regulates the size of internal organs. The research is moving forward and our patent position has strengthened appreciably. We are pursuing therapeutic and diagnostic applications for micrin and we have also identified a potential industrial application. Maximisation of shareholders' value remains the key aim.

Directors

The directors who served during the year and their interests in the share capital of the company were as follows:

	£1 Ordinary Shares	
	2000	1999
Dr J E Hart	348,400	348,400
Dr D B Copsey	4,000	4,000
Dr F W Bonner	4,000	4,000
Dr J D Coombes (resigned 9 December 1999)	8,585	8,585
Dr N R Pope (resigned 10 February 2000)	-	-
Dr I M Buckley-Golder	-	-
Dr S Roe (resigned 8 October 1999)	-	-
Mr G Wren	-	-

Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditors

A resolution to reappoint Ramon Lee Jacobs as auditors will be put to the members at the Annual General Meeting.

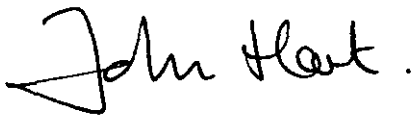
ENDOCRINE PHARMACEUTICALS LIMITED

DIRECTORS' REPORT

Small company special provisions

The report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the board on 8 February 2001.

A handwritten signature in black ink, appearing to read 'John Hart' followed by a period. The signature is written in a cursive, slightly stylized font.

Dr J Hart
Director

ENDOCRINE PHARMACEUTICALS LIMITED

AUDITORS' REPORT

Report of the Auditors to the shareholders of Endocrine Pharmaceuticals Limited

We have audited the accounts on pages 5 to 9 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

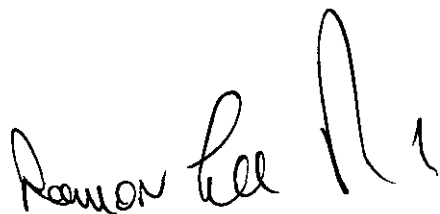
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 June 2000 and of its results for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



Ramon Lee Jacobs
Chartered Certified Accountants and Registered Auditors

Wakefield House
32 High Street
Pinner
Middlesex
HA5 5PW

8 February 2001

ENDOCRINE PHARMACEUTICALS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2000

	NOTES	2000 £	1999 £
Administrative Expenses		(402,844)	(460,422)
Operating Loss	2	<u>(402,844)</u>	<u>(460,422)</u>
Interest Receivable		2,692	1,976
Interest Payable		-	(151)
Loss on ordinary activities before taxation		<u>(400,152)</u>	<u>(458,597)</u>
Tax on loss on ordinary activities		-	-
Loss for the financial year		<u>(400,152)</u>	<u>(458,597)</u>
Retained loss for the financial year	7	<u>(400,152)</u>	<u>(458,597)</u>

ENDOCRINE PHARMACEUTICALS LIMITED

BALANCE SHEET

AS AT 30 JUNE 2000

	NOTES	2000		1999	
		£	£	£	£
Current assets					
Debtors	3	-		2,871	
Cash at bank and in hand		54,093		26,047	
		<u>54,093</u>		<u>28,918</u>	
Creditors: amounts falling due within one year					
	4	<u>(41,545)</u>		<u>(66,218)</u>	
Net current assets/(liabilities)			12,548		(37,300)
			<u>12,548</u>		<u>(37,300)</u>
Capital and reserves					
Called up share capital	5		10,407		7,805
Share premium	6		977,247		529,849
Profit and loss account	7		<u>(975,106)</u>		<u>(574,954)</u>
Shareholders' funds			<u>12,548</u>		<u>(37,300)</u>

The accounts have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and Financial Reporting Standard for smaller entities (effective March 2000) relating to small companies.



Dr J Hart
Director
Approved by the board on 8 February 2001

ENDOCRINE PHARMACEUTICALS LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 30 JUNE 2000

1. Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

Fundamental accounting concept

The accounts have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. During the year the company incurred a loss of £400152. The company is involved in research and development activities and until it is able to convert this activity into a significant revenue stream it will continue to rely for financial support on additional investments.

The directors are actively seeking further finance. Whilst the directors cannot be certain of future funding, based on the progress made to date, they believe that it is appropriate for these statutory accounts to be prepared on a going concern basis.

Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

2. Operating loss	2000 £	1999 £
This is stated after charging:		
Directors' remuneration	66,667	-
Auditors' remuneration	1,250	2,500

3. Debtors	2000 £	1999 £
Called up share capital not paid	-	2,406
Other debtors	-	465
	-	2,871

The debt due from shareholders for unpaid share capital is more than one year old.

4. Creditors: amounts falling due within one year	2000 £	1999 £
Trade creditors	2,731	-
Other taxes and social security costs	11,690	-
Other creditors	27,124	66,218
	41,545	66,218

ENDOCRINE PHARMACEUTICALS LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 30 JUNE 2000

5. Share capital	2000		1999	
	No	£	No	£
Authorised:				
Ordinary Shares of 1p each	558,197	5,582	413,661	4,137
Ordinary 'A' shares of 1p each	1,147,324	8,872	366,831	3,668
	<u>1,705,521</u>	<u>14,454</u>	<u>780,492</u>	<u>7,805</u>
Allotted, called up and unpaid:				
Ordinary shares of 1p each	1,925	19	1,925	19
Ordinary 'A' shares of 1p each	-	-	-	-
Allotted, called up and fully paid:				
Ordinary shares of 1p each	411,736	4,118	411,736	4,118
Ordinary 'A' shares of 1p each	626,996	6,270	366,831	3,668
	<u>1,040,657</u>	<u>10,407</u>	<u>780,492</u>	<u>7,805</u>

On 17 September 1999 the authorised share capital of the company was increased from £7,805 to £14,454 by the creation of 520,328 'A' ordinary shares and 144,536 ordinary shares of 1p each. 260,165 'A' ordinary shares were allotted for a total consideration of £450,000.

Movement in share capital	2000	1999
	£	£
At 1 July	7,805	4,137
Shares issued	2,602	3,668
At 30 June	<u>10,407</u>	<u>7,805</u>
6. Share premium	2000	1999
	£	£
At 1 July	529,849	108,517
Shares issued	447,398	421,332
At 30 June	<u>977,247</u>	<u>529,849</u>
7. Profit and loss account	2000	1999
	£	£
At 1 July	(574,954)	(116,357)
Retained loss	(400,152)	(458,597)
At 30 June	<u>(975,106)</u>	<u>(574,954)</u>
8. Related party transactions		

Included in administrative expenses are fees paid to the following: Dr.J.Hart £10,000, Dr.D.Copsey £11,250, Dr.F.Bonner £11,250, Dr.J.Coombes £9,778 and Dr.N.Pope £2,750.

ENDOCRINE PHARMACEUTICALS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2000

(for the information of the directors only)

	2000 £	1999 £
Administrative expenses	(402,844)	(460,422)
Operating loss	(402,844)	(460,422)
Interest receivable	2,692	1,976
Interest payable	-	(151)
Loss before tax	(400,152)	(458,597)

ENDOCRINE PHARMACEUTICALS LIMITED
SCHEDULE TO THE PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2000

(for the information of the directors only)

	2000 £	1999 £
Research and administrative expenses		
Employee costs:		
Wages and salaries	6,000	-
Directors' salaries	66,667	-
Employer's N.I.	7,579	-
Staff training and welfare	-	166
Conference	1,305	704
Motor, travel and subsistence	16,408	5,810
Catering	1,049	682
Entertaining	875	159
	<u>99,883</u>	<u>7,521</u>
Premises costs:		
Laboratory charges	154,034	284,425
	<u>154,034</u>	<u>284,425</u>
General administrative expenses:		
Telephone and fax	209	292
Office supplies	709	1,072
Web site	250	-
Subscriptions	427	-
Sundry expenses	187	43
	<u>1,782</u>	<u>1,407</u>
Legal and professional costs:		
Audit fees	1,250	2,500
Accountancy fees	1,275	2,400
Legal and professional	65,102	28,004
Bank charges	369	-
Fees	79,149	121,500
Consultancy fees	-	11,665
Management fees	-	1,000
	<u>147,145</u>	<u>167,069</u>
	<u>402,844</u>	<u>460,422</u>