summit

VASTox plc Annual Report and Accounts
For the year ended 31 January 2007

VASTox is a leading UK biotechnology company with a broad drug pipeline, two world-leading technology platforms and an innovative business model to generate sustainable value for shareholders.

Contents

Highlights
2006/07

+95%
Revenue
2006/07: £1.0m
(2005/06: £0.5m)

£18.3m
Cash
(2005/06: £12.6m)

£2.9m
R&D investment
(2005/06: £1.0m)

Financial Highlights

- Revenues increased by 95% to £1.0 million (2005/06: £0.5 million)
- R&D investment up to £2.9 million (2005/06: £1.0 million)
- Post-tax loss up to £3.0 million (2005/06: £1.1 million)
- Successful placing in February 2006 raised £10.4 million before expenses
- Cash of £18.3 million at 31 January 2007 (2005/06: £12.6 million)

Operational Highlights (during 2006/07 and post year end)

- Drug discovery and development, and pharmaceutical services capabilities enhanced through three strategic acquisitions:
  - DanioLabs Ltd – £15 million, payable in shares (March 2007)
  - Dextra Laboratories Ltd – £1.5 million, payable in shares (March 2007)
  - Key assets of MNL Pharma Ltd – £240,000 (December 2006)
- Drug pipeline significantly strengthened through acquisitions and internal development and now includes:
  - Two clinical phase candidates acquired in area of neuro-disorders
  - Four preclinical candidates in neuromuscular and ophthalmic diseases, and oncology
  - Preclinical and discovery programmes progressing in range of core and other therapeutic areas (including oncology and regenerative medicine)
- Two long-term collaboration deals signed worth a combined total of £650,000 (February 2007)
- Royalty deal signed in carbohydrate drug development worth $450,000 and 5% of product sales (May 2007)
- Strengthening of Board of Directors and Executive management through key appointments
- Summit plc proposed as new company name to reflect the ambitions of the enlarged Group

VASTox
At a Glance

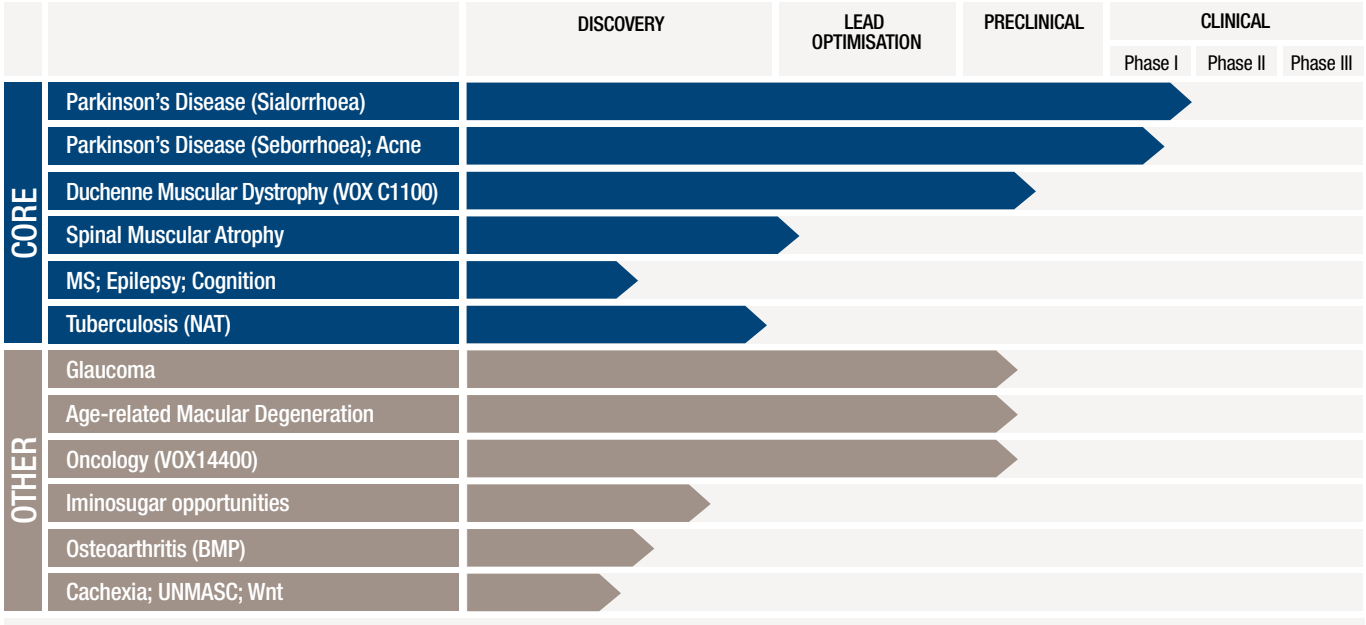
VASTox is a leading UK biotechnology company that uses two innovative technology platforms to discover and develop proprietary new drugs targeting serious diseases with unmet medical need and provide high-value drug discovery services to the pharmaceutical industry.

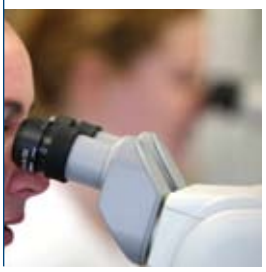
VASTox has a broad and diverse pipeline

of proprietary clinical and preclinical drug candidates targeting indications in neuro-disorders, infectious diseases, cancer and regenerative medicine. These programmes will be commercialised at the optimum time to generate near- and long-term value through a variety of licensing and partnership routes.

VASTox's technology platforms

have the potential to dramatically increase the efficiency and lower the cost of drug discovery and development. VASTox combines world-leading expertise in both carbohydrate and medicinal chemistry with high-volume, high-content screening using its market leading zebrafish and fruitfly technologies (chemical genomics) to generate whole organism data that are highly predictive of the efficacy and toxicity of potential drug compounds in humans.



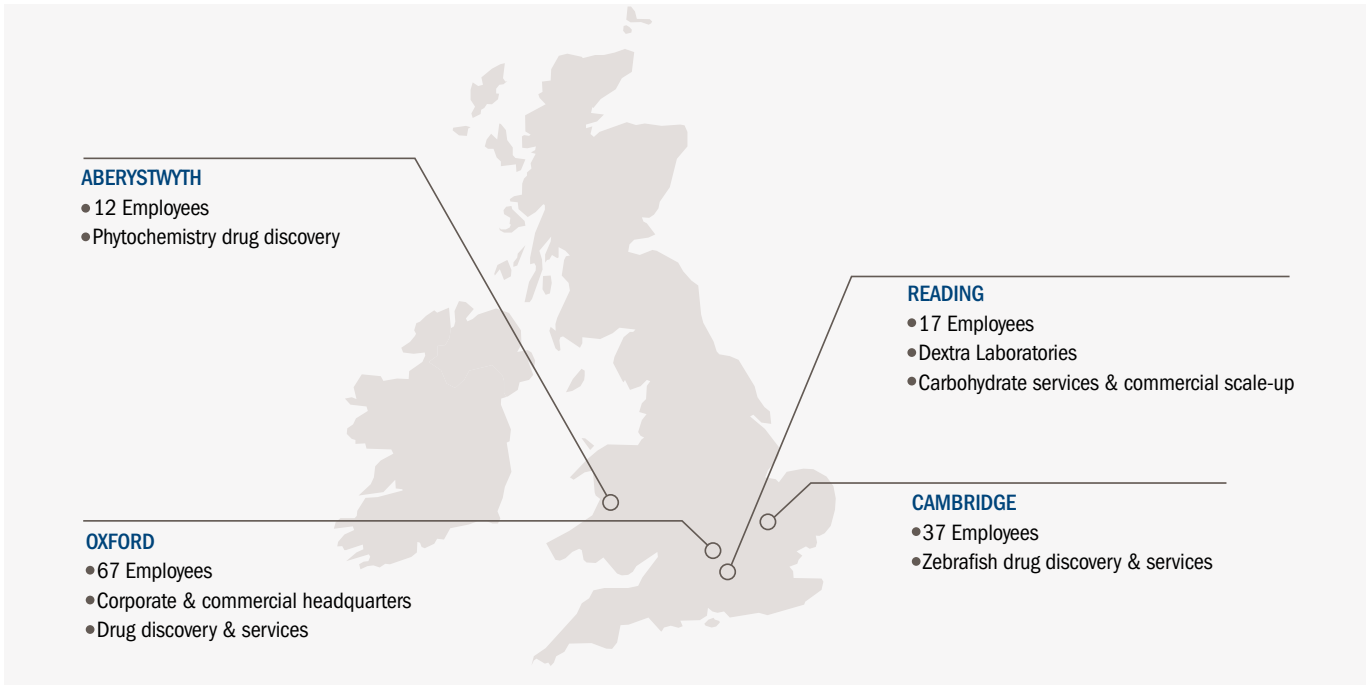


VASTox operates state-of-the-art facilities

in Oxford, Cambridge, Aberystwyth and Reading, and employs over 130 people.The company is quoted on the AIM market of the London Stock Exchange – symbol: VOX.

VASTox is generating immediate revenues

to support internal discovery programmes by marketing its drug discovery technology platforms to pharmaceutical partners on a collaborative or fee-for-service basis.



Chairman's Review

Dr Barry Price

It gives me great pleasure to present my first annual report as Chairman of VASTox plc.

2006/07 has been a crucial period for VASTox and one in which we believe the Company has reached a new stage of development and growing maturity, having advanced out of its start-up phase. This transformation has been achieved both through impressive organic growth and through a focused acquisition strategy during this period.

Our main objective is to create value. As a leading drug discovery and development company, the acquisitions in March 2007 of the UK companies – DanioLabs Ltd (Cambridge) and Dextra Laboratories Ltd (Reading) plus the earlier acquisition of key assets of MNL Pharma Ltd (Aberystwyth) provide VASTox with world leadership in zebrafish chemical genomics and carbohydrate chemistry as we endeavour to deliver on this objective.

The Company now has substantial assets that it aims to leverage in different ways to deliver sustainable growth and maximise shareholder value. We believe that we have made great strides in this direction to date and that our strengthened position will now lead to further opportunities to accelerate growth in the future.

In summary, the Company has made great advances in developing its drug pipeline, enhancing its drug discovery and development capabilities, adding expertise and experience at board, management and scientific levels, and boosting revenue growth of its pharmaceutical services.

A significant impact of the activities we have undertaken is the building of an exciting pipeline of clinical, preclinical and discovery stage drug candidates across a range of therapeutic areas with high unmet medical need.

Programmes in VASTox's core areas of expertise at this stage, include neuro-disorders and infectious diseases and are where we can call on considerable scientific and development knowledge to add value to our programmes. Currently, we have lead candidates in clinical development targeting the symptoms of Parkinson's disease and preclinical programmes in Duchenne muscular dystrophy (DMD) and Spinal muscular atrophy (SMA). The Company's differentiating expertise in these areas will be used to develop candidates to an optimal point before licensing or partnering out. By retaining a high equity stake in the future value of these programmes, we are also looking to generate significant long-term returns for shareholders.

Programmes outside our core areas, including cancer, ophthalmology and regenerative medicine (stem cells), represent opportunities for attractive early deals to realise near-term value whilst retaining a stake in the longer-term potential. One potential out-licensing opportunity is likely to be with our lead anticancer preclinical candidate VOX14400, which we are planning to enter into Phase I clinical trials in the first half of 2008.

Underpinning the development of our pipeline as well as providing increasing revenues, are VASTox's proprietary chemical genomics and substantial chemistry capabilities. These capabilities have been significantly enhanced in terms of expertise, staff, facilities and capacity following the recent acquisitions. Furthermore, they have provided us with existing business, immediate revenue streams and access to a wider customer network.

People

The Company made a number of important changes to the Board and senior management during the year as we reviewed the skills necessary to lead a dynamic and fast-growing company. We have brought in high-quality people with a wealth of skills, particularly in drug discovery, development and commercialisation, all of which will be crucial for the Company's future growth.

In addition, through the acquisitions VASTox has rapidly expanded to employ more than 100 highly skilled scientists across four UK sites. We are also very pleased to have retained the key scientific founders of the acquired businesses and look forward to their continued contribution to the business.

I would just like to take this opportunity to thank Professor Stephen Davies who stepped down as Chairman in September 2006. Steve, as founding Chairman of VASTox, has made a significant contribution to the Company's direction and success, and we are very pleased that he will continue to provide valuable input as a Non-executive Director.

I would also like to welcome to the Board, Dr Colin Wall, Dr Andrew Richards and George Elliott, CA. Colin has 40 years' of commercial experience including significant board-level experience at a number of public and private companies and was appointed as Senior Independent Non-executive Director. He replaces founding director John Montgomery who stepped down last year with our thanks and best wishes. Andrew joins as a Non-executive Director and will bring a tremendous wealth of experience of the biotechnology sector to VASTox, while George brings us wide-ranging financial and commercial expertise in high growth technology companies.

Financial performance

The financial performance of the Company continues to be strong; the Company has nearly doubled revenues to £1 million from its pharmaceutical business compared with last year. Investment in research increased to £2.9 million, losses are £3.0 million, and cash is £18.3 million. The Company continues to maintain a strong focus on financial discipline and expects to continue its growth and development in all areas in 2007.

Name change to Summit plc

Based on the progress the Company has made over the past couple of years and its long-term development plans, we are very pleased to propose a new name for the Company: Summit plc. We are proposing this name as it encapsulates the desire and ambitions of the Company while also providing an identity that has the flexibility to accommodate future growth and development within the business. This name change is subject to shareholder approval, which will be sought at the Company's Annual General Meeting, to be held on 19 July 2007.

Summary and outlook

Since I joined VASTox in September 2006, I have been greatly impressed with the Company's ambitions, enthusiasm and maturity, the quality of its people, and the strength and potential of its drug discovery and development capabilities. The transforming events that have happened over the past 18 months have put VASTox in a strong position to capitalise on this potential in the near-, mid- and long-term. We are looking forward with confidence to the challenges that the next year will bring to continue the rapid growth of the business.

Finally, I would like to thank all VASTox employees for their dedication and contribution to the business and look forward to an exciting and productive year ahead.

Barry Price, PhD
Chairman
11 June 2007

Company history

January 2003
VASTox was founded out of Oxford University and rapidly developed into one of the UK's leading biotechnology companies.

October 2004
Listed on the AIM section of the London Stock Exchange (AIM: VOX).

February 2006
Raised funds to capitalise on the promising results of the drug discovery programme targeting the fatal genetic disease, Duchenne muscular dystrophy.

December 2006
Acquired key assets of UK biotechnology company MNL Pharma to strengthen carbohydrate chemistry capabilities.

March 2007
Acquired DanioLabs and Dextra Laboratories to strengthen drug pipeline and create world-leading technology platforms in zebrafish chemical genomics and carbohydrate chemistry.

Chief Executive Officer's Statement

Dr Steven Lee

VASTox has made excellent progress during the past 18 months executing on its dual strategy of discovering and developing proprietary new drugs and providing profitable drug discovery services to the pharmaceutical industry.

A number of defining events that have happened during the past 18 months have put VASTox in a strong position to maximise the benefits of its unique approach to create significant value for shareholders.

The key events of the period include:

- **Progress in all proprietary programmes, including:**
  - **Duchenne muscular dystrophy: Preclinical candidate selected in May 2007 and EMEA Orphan Drug designation granted to programme**
  - **Spinal muscular atrophy: compounds identified with *in vivo* activity**
  - **Tuberculosis: compounds identified that kill *Mycobacterium tuberculosis***
- **Achieving excellent performance of the pharmaceutical services business with revenues nearly doubling to £1 million**
- **The creation of a high-quality executive management team and Board of Directors with experience and enthusiasm to drive the Company's future growth**
- **Acquisitions of DanioLabs Ltd, Dextra Laboratories Ltd and the key assets of MNL Pharma Ltd to accelerate the Company's strategy and development in all areas of its business.**

Transforming VASTox

The acquisitions VASTox has made during 2006/07 are a synergistic fit with our existing drug programmes, drug discovery and development expertise and significantly, provide us with world leadership in two drug discovery platform technologies. Additionally, we benefit from an immediate, positive impact on revenues and an expanded customer base.

The addition of DanioLabs both broadens our drug discovery pipeline and creates the largest and most sophisticated zebrafish chemical genomics platform in the world. Dextra and MNL Pharma both bring differentiating carbohydrate chemistry expertise and make us world leaders in this emerging and exciting area of drug discovery.

A key focus of the management team in the coming months is to ensure the rapid integration of the acquired businesses such that VASTox can capitalise on the enhanced capabilities and efficiencies of the enlarged Group.

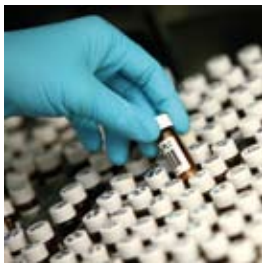
As a consequence of the year's activities, we are proposing to change the Company's name from VASTox plc to Summit plc (subject to shareholder approval at the Company's AGM on 19 July 2007). The Board believes that a new identity is required to truly reflect the aspirations of the new enlarged business. VASTox as a name represented the origins of the Company but it refers to only one aspect of our business: zebrafish toxicology services. While this technology is still an important part of out business, we felt the Company has outgrown this name, and has also become misleading with commercial clients. The proposed new name and identity presents not only a more mature corporate image but also provides the flexibility for the Company to grow and develop, which is essential in meeting the future needs of our business.

Enhancing our drug pipeline

As mentioned earlier, an important result of this corporate activity has been to broaden and enhance the Company's drug discovery and development pipeline. Through progress made in our existing drug discovery programmes and the new programmes acquired following the deals with DanioLabs and MNL Pharma, VASTox now has an exciting portfolio of clinical, preclinical and discovery stage drug candidates across a range of serious diseases with a high unmet medical need.

While our drug programmes span a range of therapeutic areas, our core focus is on discovering and developing new therapies targeting neuro-disorders and infectious diseases. We have focused on these specific therapeutic areas as we believe we have differentiating expertise based on our scientific knowledge in these areas, through our key staff, scientific advisors, founders and collaborators. It is our intention to invest in the infrastructure of these programmes with the objective of developing them to the optimal stage prior to seeking attractive partnering opportunities.

The depth of our drug pipeline combined with our approach towards partnering deals is anticipated to improve for our



investors the risk-reward ratio traditionally associated with biotech companies as it is VASTox's intention to seek early and mid stage deals in many programmes before they enter pivotal and costly Phase III clinical trials.

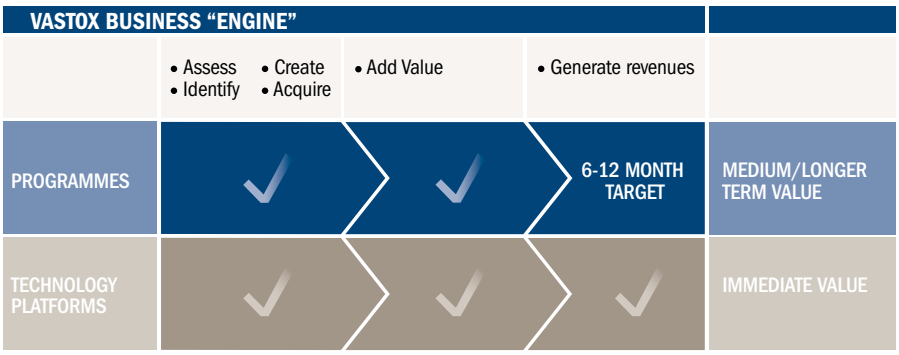
Core programmes

During the year, VASTox has increased its interest and expertise in the area of neuro-disorders and now has a range of clinical and preclinical programmes in this area.

VASTox has two candidates in Phase I clinical trials for treating neurodegenerative symptoms associated with Parkinson's disease. These were acquired from DanioLabs. The first programme is focused on sialorrhoea (excessive saliva production) and is expected to advance into Phase II clinical trials by the second half of 2007. The second clinical candidate targets seborrhoea, which results in Parkinson's patients suffering from poor skin conditions, and this programme is expected to move into Phase II clinical trials during the second half of 2008. VASTox also anticipates this programme to find value in the multi-million pound acne market.

In addition, exciting progress has been made in the discovery programme targeting the fatal neuromuscular disease, Duchenne muscular dystrophy and in May 2007 this led to the selection of a lead candidate, VOX C1100, to advance into preclinical development. Earlier investigations leading to this significant achievement have been supported through the raising of £10.4 million in February 2006.

Based on this progress, the European Medicines Agency (EMEA) will grant Orphan Drug status to any clinical candidates to emerge from the programme. This designation will allow VASTox to fast-track any candidates through the clinical stages of development, which will reduce costs and accelerate the time taken for a desperately needed drug to reach the market.



Our discovery programme targeting the rare genetic neuromuscular disorder Spinal muscular atrophy (SMA) is also making excellent progress. SMA is the leading genetic cause of mortality in infants and toddlers worldwide and the Company has identified a number of "hit" compounds that improve the symptoms of SMA when tested in VASTox's *in vivo* fruitfly screen designed to model the disease. This particular programme demonstrates the value of our drug discovery approach as these "hits" were identified within 18 months of the programme starting, and a lead preclinical compound is now being sought. We are also preparing to apply for Orphan Drug designation for this programme.

VASTox's excellence and expertise in neuromuscular diseases was further recognised by the EU when the Company joined the TREAT-NMD network, a European network of leading researches, clinicians and charities focused on developing new medicines, which is funded by a €10 million EU grant.

In the core area of anti-infectives, VASTox's first programme is targeting tuberculosis (TB), a resurgent disease with serious global health implications. Currently, the TB programme is in the early discovery phases and has made good progress during the year with several promising compounds identified as being active against the bacteria that cause TB. These 'hit' compounds are now being investigated further.

Chief Executive Officer's Statement continued

Dr Steven Lee

Other programmes

Our remaining programmes are currently targeting cancer, ophthalmic diseases and regenerative medicine (stem cells), and we have three programmes at the preclinical stage of development.

One of our most advanced non-core programmes, VOX14400, was initially developed by MNL Pharma and has the potential to target and treat various types of solid tumours as well as a number of other indications. We are actively seeking a development partner to progress this candidate.

The programmes in ophthalmic diseases are targeting glaucoma and age-related macular degeneration and are in the preclinical stages of development. Both programmes were acquired from DanioLabs.

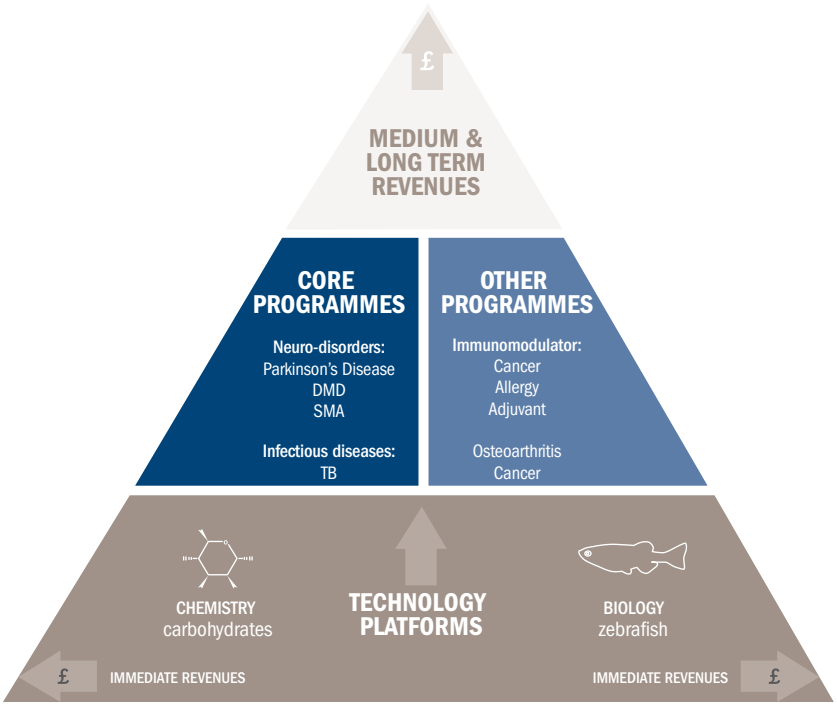
Pharmaceutical services

While our drug pipeline is where our long-term value lies, a core element of our dual business model is the development of two powerful drug discovery and development technology platforms. These not only underpin our ability to develop and fuel our own pipeline, but also enable us to generate revenues by providing elements of the technology platforms to partners in the pharmaceutical sector for their own drug discovery purposes.

Our service offering is an increasingly profitable part of the Company's business, generating revenues of £1 million in 2006/07, nearly double the revenues of 2005/06. The wider pharmaceutical industry increasingly is recognising the value our unique capabilities bring to drug discovery programmes as we provided discovery services to over 25 clients during the year.

This business is expected to grow significantly in 2007 owing to the strengthening of our capabilities in all areas through the integration of the assets from the acquired companies. This will provide the enlarged Company with immediate access to complementary expertise and high-quality facilities as well as existing contracts and revenue streams, and access to a significantly broader customer base.

Furthermore, these acquisitions are expected to support and accelerate our strategy of developing longer-term, higher-value drug discovery and development partnerships with pharmaceutical companies. Indeed, in 2007 we have already signed three such agreements totalling over £800,000 in upfront payments and research funding milestones with one of the deals including a 5% royalty fee on product sales. Over the course of the next 12 months, we will be working hard to develop further relationships of this nature based on the benefits our unique range of capabilities can offer partners.






Our unique drug discovery and development capabilities

The fundamentals of our business and of our ability to create value are based on our world-leading chemical genomics and carbohydrate technology platforms. During the year, each platform has been significantly strengthened both organically and through the recent acquisitions we have made.

Chemical genomics

Chemical genomics refers to the analysis and understanding of the effect that drug-like molecules have on whole organisms. VASTox has developed an industry leading chemical genomics technology platform that makes use of two extensively studied organisms: zebrafish and fruitflies.

This technology enables us to rapidly screen libraries of drug-like compounds to provide information not just on potential efficacy but also on the safety of lead compounds. This capability is extremely valuable as it can accelerate the early stages of the discovery process thereby reducing overall costs.

The acquisition of DanioLabs shows the belief and commitment VASTox has in zebrafish chemical genomics and the huge potential benefits that we believe this technology brings to the drug discovery process. This strategic move has created the World's leading company in chemical genomics using this versatile and highly relevant organism by providing additional zebrafish screening technologies and capacity and further novel models of human disease.

Chemistry capabilities

We also recognise that chemistry plays an essential role in the development of new pharmaceuticals. Our chemistry capabilities enable us to generate libraries of proprietary drug-like compounds for screening, to develop "hit" compounds into leads and to optimise their structure and performance.

We already have excellent medicinal chemistry in-house and the integration of Dextra Laboratories and MNL Pharma significantly enhances our carbohydrate chemistry expertise and capabilities as VASTox emerges as the global leader in this high-value, complex and currently under exploited area of chemistry.

Management

A key objective over the past 12 months for VASTox has been to create a high quality management team with development and commercial experience, contacts, and enthusiasm to drive the Company's ambitious growth plans forward.

As such, VASTox made several key appointments to the Board and Executive management team during the year: Dr Richard Storer joined as Chief Scientific Officer; Darren Millington, ACMA, was appointed Chief Financial Officer; and James Taylor joined as Chief Commercial Officer. These appointments add considerable sector experience in the important areas of preclinical and clinical drug development, commercialisation, licensing and growth company finance.

Summary and outlook

The past 18 months have been extremely busy and eventful for VASTox. This activity has transformed the business into an exciting drug discovery and development company that offers the prospect of rapidly developing new drugs for serious diseases. Through internal growth and acquisition, VASTox has created a broad and diverse pipeline of drug candidates from discovery to clinical stages of development, and two strong technology platforms to support and advance these programmes.

Furthermore, the revenue growth we have seen from our services offering and its increasing industry validation confirms the confidence we have in our approach to deliver value to customers and partners in the pharmaceutical sector.

We anticipate a busy year in 2007/08, integrating the new components of our business, but we believe we have many of the right elements in place to begin capitalising on the combined strength of the enlarged Company to create significant value for our shareholders.

Finally, I would like to thank the efforts of all involved with the continued growth and development of VASTox and look forward to reporting further progress in the future.

Steven Lee PhD
Chief Executive Officer
11 June 2007

Financial Review

Darren Millington

Our financial results for the year ended 31 January 2007 reflect the increased investment in our drug development pipeline, in particular our commitment to advancing our DMD programme.

Financial Highlights

- Turnover up 95% to £1.03 million (2005/06: £0.53 million)
- Gross margins up to 70.6% (2005/06: 56.1%)
- Research and development investment up to £2.94 million (2005/06: £1.03 million)
- Fully-subscribed placing raised £10.4 million of new capital before expenses

Total R&D costs have increased to £2.94 million this year (£1.03 million in 2005/06). As described in the Chief Executive Officer's statement, we were able to accelerate our Duchenne muscular dystrophy (DMD) programme as a result of a successful fund-raising in February 2006, which raised £9.97 million after expenses. These additional funds have allowed us to recruit specialist staff and build laboratories dedicated to the DMD programme.

Business performance

Revenues

Total revenues for the year ended 31 January 2007 were £1.03 million (2005/06: £0.53 million). This 95% increase illustrates the increasing market demand for our unique chemical genomics expertise and chemistry capabilities. Gross margins increased to 71% (2005/06: 56%), reflecting the high-value nature of the work we do for clients.

Losses

VASTox made a loss of £2.99 million for the year compared with a loss of £1.06 million in the previous year. The increased loss was due to increased investment in R&D and an increase in overhead and facility costs. Overhead costs have also increased due to non-cash charges of depreciation, amortisation and FRS 20 ("Share based payment").

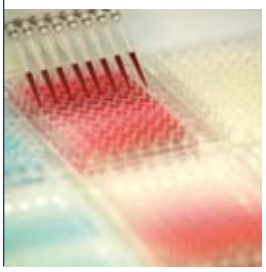
The FRS 20 charge requires companies to make a charge for the fair value of share options in issue. For the year 2006/07 this charge was £0.4 million (2005/06: £0.07 million). It is the recognition of the share based payment charge in the 2005/06 results which led to a restatement. The basic and diluted loss per share for the Group was 8.24p, compared with 3.39p for 2005/06.

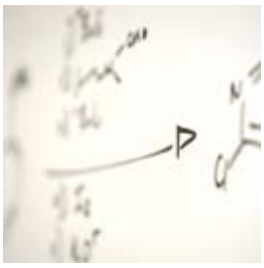
Taxation

The Group continues to benefit from Research and Development tax credits and, as it is loss making, elects to take the cash equivalent amount. The tax credit of £0.49 million relates to a refund under the UK Research and Development tax credit claim (2005/06: £0.16 million).

Cashflow and financing

Our year-end cash and short term deposits were £18.3 million (2005/06: £12.6 million). The Group raised £9.97 million in cash net of expenses (2005/06: Nil) through the sale of new ordinary shares. Interest received increased from £0.58 million to £0.87 million, due to the increase in average funds held during the year as well as higher interest rates. Net cash outflow during the year from operating activities was £3.21 million (2005/06: £1.45 million), principally due to the increase in R&D expenditure.





IFRS

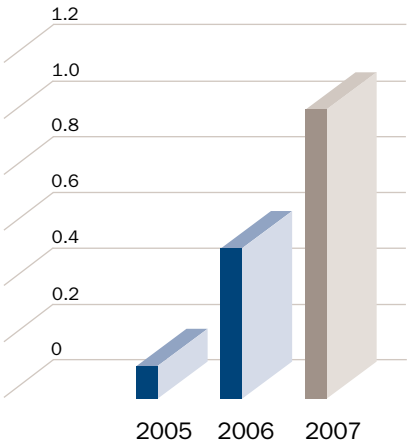
The accounts prepared for the year ended 31 January 2007 will be the last produced under UK Generally Accepted Accounting Practice (GAAP). In common with all AIM-quoted companies, VASTox will produce its results for the year ending 31 January 2008 under International Financial Reporting Standards (IFRS). The first financial results reported under IFRS will be presented in the Group's unaudited interim results for the six month period ending 31 July 2007. The Group has completed an impact assessment for the translation to IFRS and has reviewed the VASTox financial results for the areas likely to change most significantly. The Group's plan to transfer from UK GAAP to IFRS is monitored regularly by the Group's Audit Committee and reported to the Board.

Post balance sheet events

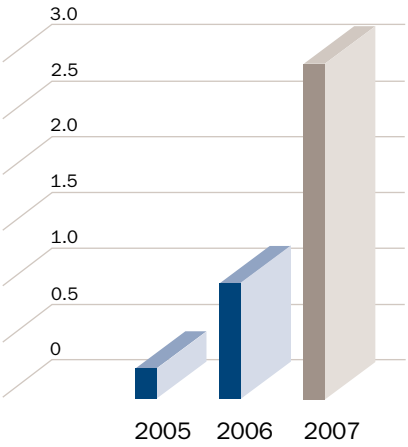
Following the year-end, the Group announced on 22 March 2007 the acquisition of DanioLabs Ltd and Dextra Laboratories Ltd. The Group acquired the entire share capital of both companies for £15.0 million and £1.5 million respectively, financed through the placing of 12.9 million new ordinary shares in VASTox plc.

Darren Millington, ACMA
Chief Financial Officer
11 June 2007

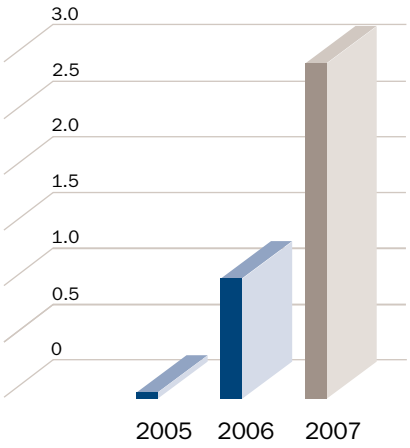
Turnover
(£million)



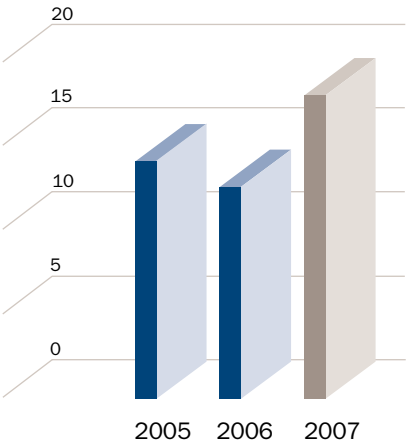
R&D
(£million)



Loss
(£million)



Cash
(£million)



Expertise and Technology

VASTox's in-house drug discovery and development capabilities combine a world-class expertise in carbohydrate and medicinal chemistry with high-volume, high-content biological screening (chemical genomics) using its proprietary zebrafish and fruitfly technologies.

The Company uses these two technology platforms to support and advance its own drug discovery and development programmes, while also generating near-term revenues by providing this unique range of services to third-party pharmaceutical and biotechnology companies for their drug discovery efforts.

VASTox further benefits from the advice and guidance of its founders and a scientific advisory board comprising world-leading authorities on chemistry, biology, genetics and medicine.

Following its recent acquisitions of DanioLabs, Dextra and the key assets of MNL Pharma, VASTox now operates state-of-the-art facilities in Oxford, Cambridge, Aberystwyth and Reading.

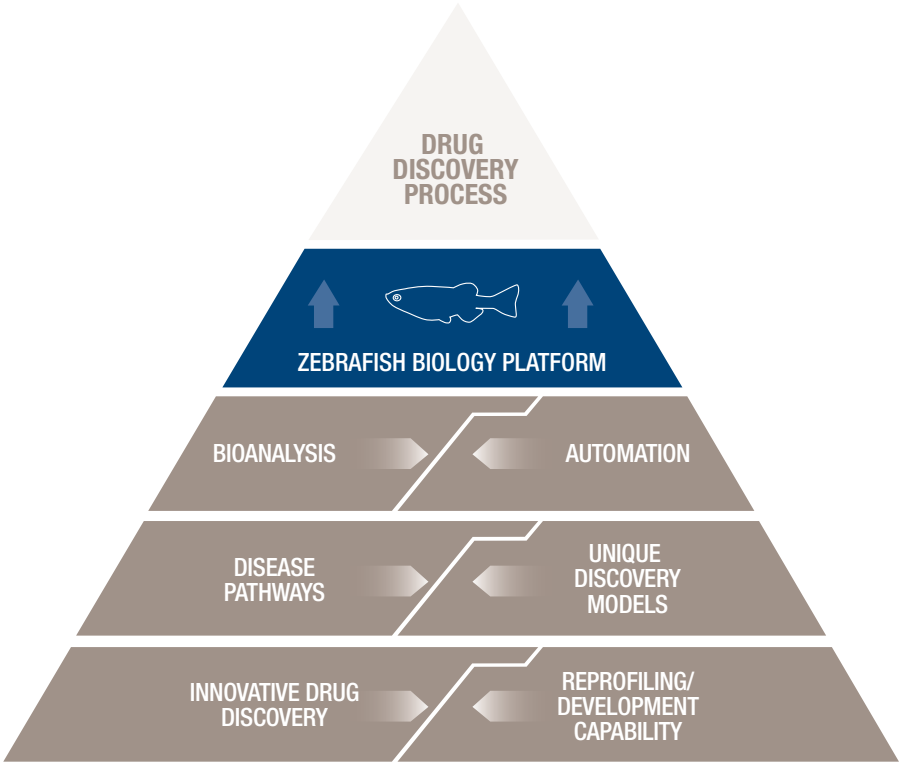
With attrition rates in drug R&D at 98% and the cost of developing a successful product standing at approximately £500 million, VASTox firmly believes its technology platforms will strengthen both its own pipeline and those of the wider pharmaceutical industry while reducing the cost of development.

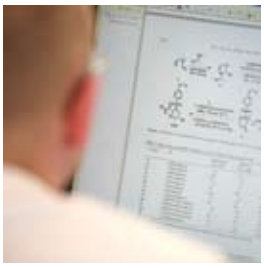
Chemical genomics

Chemical genomics refers to the analysis and understanding of the effect that small drug-like molecules have on biological pathways in the context of whole organisms.

VASTox has developed an industry leading chemical genomics technology that makes use of two extensively studied organisms: zebrafish (*Danio rerio*) and fruitflies (*Drosophila melanogaster*). There are several key advantages that this approach has for drug discovery and development, including:

- Very well characterised genetics and developmental processes.
- Acknowledged to be extremely useful for developing relevant models of human disease and in the evaluation and interrogation of pathways directly relavent to human disease.





- Small size and rapid reproductive and development cycles mean that large numbers of zebrafish or fruitflies can be screened simultaneously using small amounts of compound in a high-throughput manner to produce statistically significant data.
- Rapid screening of compounds for therapeutic activity, lead identification and target validation.
- Rapid *in vivo* evaluation of compounds for safety and toxicity, which is highly predictive for toxicity in mammals.
- Drug reprofiling or repositioning, i.e. identifying new uses or indications for already marketed drugs or those that were abandoned during development, but that have well studied human safety and pharmacokinetic profiles, and therefore represent a reduced clinical development risk.

Zebrafish: the early stage advantage

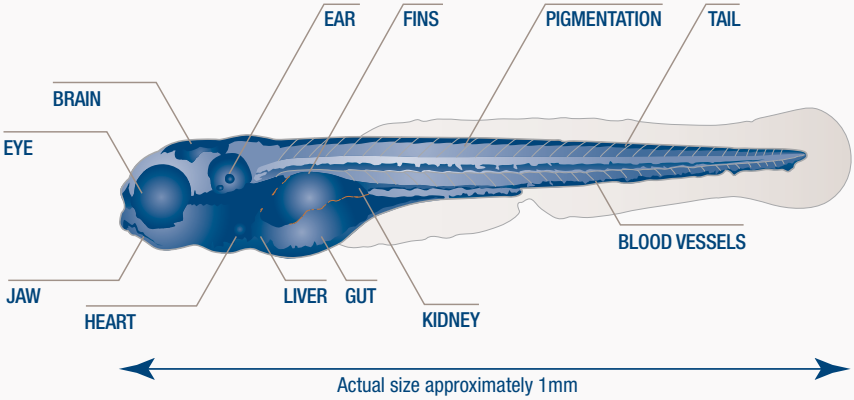
Following the recent acquisition of DanioLabs, VASTox is now the market leader in the use of zebrafish in the discovery and development of new medicines and has the largest, most advanced zebrafish facilities in the world.

An important advantage the zebrafish provides in drug discovery is the provision of highly valuable, *in vivo* whole organism data from the very earliest stages of the discovery process. In traditional drug discovery, the first living organism screen a potential drug candidate is exposed to is in the later stages of preclinical development and human clinical trials, once millions of pounds have been invested in the programme. In recent years a number of high-profile drug candidates have suffered from late stage failures or even withdrawal from the market due to unforeseen adverse side effects.

VASTox believes its zebrafish technology can help mitigate this risk and the associated cost of these failures. Due to the vertebrate's genetic similarity with humans whereby all key organs are conserved, the zebrafish permits VASTox's scientists to understand how any drug candidate will interact with an entire living system and acts as a test for predictive and safety toxicology. Therefore the Company has developed a wide range of industry validated toxicology screens, known as the "vivo™" screens, to assess compound safety and potential side effects in the areas of:

- Acute toxicity
- Cardiotoxicity (heart)
- Hepatotoxicity (liver)
- Myelotoxicity (blood)

ZEBRAFISH: KEY ORGANS



Expertise and Technology continued

- Embryo toxicology
- Cardiac rate and rhythms
- Drug-drug interactions
- Gut motility
- Visual function
- Locomotor effects
- Bone demineralisation

By using these screens at an early stage of drug discovery, VASTox can improve the chances of drugs making it through the human stages of clinical trials and being successful in the market. This technology also has the potential to reduce the number of higher animals used in testing.

Carbohydrate chemistry

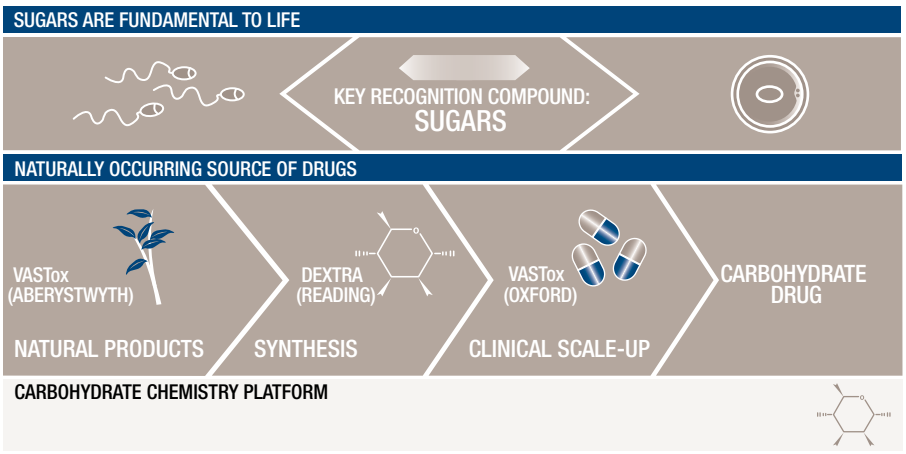
Sugars or carbohydrates are fundamental to the existence of life and the increasing awareness of this important biological function is providing the opportunity for the development of a host of novel, carbohydrate based therapeutics. VASTox are at the forefront of this research and are manipulating what were once considered poor medicinal chemistry targets into drug-like molecules by numerous sophisticated processes and techniques.

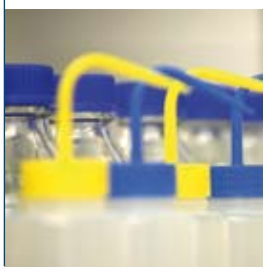
To support the development of novel carbohydrate drugs, the Company has assembled a powerful carbohydrate technology platform that supports both its own drug development programmes and is also offered to third parties on a collaborative or fee-for-service basis.

The Company has strengthened this capability through the recent acquisitions of Dextra and key assets of MNL Pharma. As a result, VASTox now has a world-leading carbohydrate chemistry capability with three dedicated state-of-the-art facilities in Oxford, Aberystwyth and Reading. VASTox is further strengthening the carbohydrate platform through development of a GMP compliant facility at its Reading site, which will allow the Company to supply sufficient material to support drug programmes from discovery through to Phase II clinical trials.

VASTox applies its extensive knowledge of carbohydrate chemistry in two areas:

- **Custom synthesis** of small molecules and larger, more complex carbohydrate sugars, and the creation of novel compound libraries for pharmaceutical screening.
- **Prodrugs** to address issues such as improvement of therapeutic index, bioavailability, controlled release delivery and stability, through chemical modification of carbohydrate side groups.






Compound libraries

VASTox's chemistry expertise has enabled it to generate extensive libraries of proprietary drug-like molecules. These libraries are being screened against a range of disease indications to identify molecules with potential therapeutic activity in the indications of interest.

These high-quality libraries comprise primarily carbohydrate-based compounds, including:

- Several hundred naturally occurring and synthetic imino sugars, which are simple and highly water-soluble molecules with favourable pharmacokinetic properties for drug screening
- 1200 Non-imino sugars (Phytopure® library), which have been isolated from plants and demonstrated desirable drug-like properties
- Access to several hundred rare and complex carbohydrate molecules through Dextra's specialist catalogue business.

Medicinal chemistry

Medicinal chemistry is concerned with the invention, discovery, design, identification and preparation of biologically active compounds, the study of their metabolism, the interpretation of their mode of action at the molecular level and the construction of structure-activity relationships.

This capability is clearly of great importance in the process of discovering and developing new drugs and forms both a significant part of VASTox's internal development capabilities and a high-value revenue-generating service offering.

VASTox's team of highly skilled medicinal chemists has significant industrial experience and provides the Company with a broad range of essential capabilities including hit-seeking, hit-to-lead and lead optimisation.

VASTox's Oxford laboratories are equipped to the highest standards and are supported by in-house Nuclear Magnetic Resonance (NMR) and Liquid Chromotography Mass Spectrometry (LCMS) capabilities, allowing the chemistry group to undertake all services within one facility.

Drug Discovery

VASTox's long-term value lies in its ability to discover and develop proprietary new drugs. The Company has built a broad and diverse pipeline of proprietary clinical and preclinical stage drug candidates targeting serious disease indications including neuro-disorders, infectious diseases, cancer, ophthalmic diseases and regenerative medicine.

VASTox has created an exciting pipeline of drug candidates through a combination of strategic acquisitions and the in-house development of promising research programmes acquired from academia where a clear rationale for the treatment of a particular disease has already been established.

VASTox divides its drug discovery programmes into two: Core therapeutics areas and other programmes. A Core therapeutic area of research is one in which VASTox has a differentiating expertise and capability based on scientific knowledge of key staff, the Scientific Advisory Board and advisors.

Consequently, to maximise the potential of these programmes, VASTox invests in the infrastructure of the programmes with the objective of creating significant additional value. The programmes will either be developed internally via partnering or through lucrative licensing deals whereby the Company retains a higher equity share of the future value of the programme. It is these Core areas of research that will generate longer-term value for shareholders.

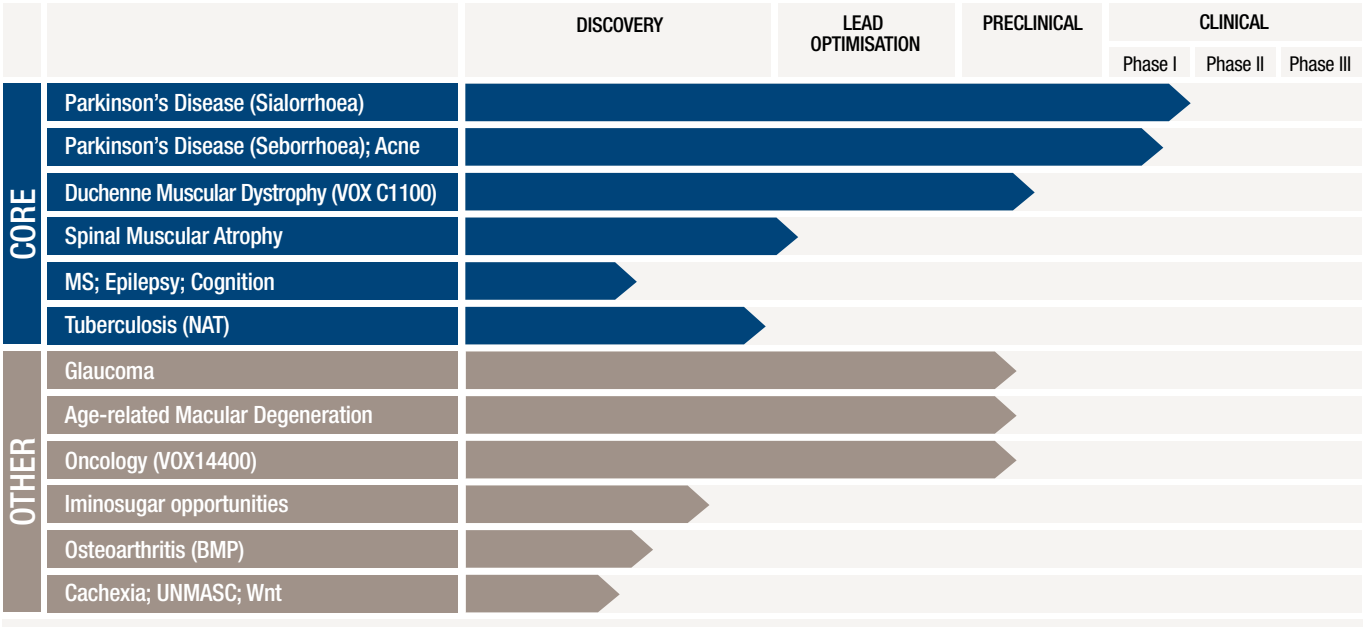
The other drug programmes are of equal importance to VASTox. These programmes will be across a range of therapeutic areas and will be acquired on a more opportunistic basis. Using its unique drug discovery technology platform VASTox will add value and develop these programmes to a level where they become attractive licensing opportunities. The Company expects to generate sizeable near-term returns for shareholders whilst also retaining a stake in the longer-term potential of the programme.

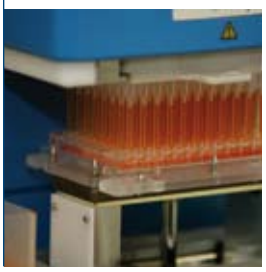
The Company will continue to evaluate new programmes from academia as a potential rich source of promising new candidates for further commercial development.

Neuro-disorders

Neurodegenerative diseases

VASTox's lead clinical drug candidates were acquired from DanioLabs in March 2007 and target some of the symptoms of





Parkinson's and other neurodegenerative diseases that occur as a result of the deterioration in function of neuronal (nerve) cells. The compounds in development were discovered through drug reprofiling programmes where they were found to prevent or reverse the degeneration process occurring in these conditions. In Europe and the US alone, Parkinson's disease affects over 2.5 million people with the global market estimated to be worth £3 billion.

VASTox's lead clinical candidate is a small molecule drug in Phase I clinical trials for the treatment of sialorrhoea (excessive salivation or drooling) in patients suffering with neurodegenerative diseases. This programme is expected to advance into Phase II clinical trials during the second half of 2007.

VASTox has a small molecule candidate in Phase I clinical trials for the treatment of seborrhoea (excessive sebum production) in patients suffering with neurodegenerative diseases. It also has indications for people suffering with chronic acne. The current clinical trial is due to conclude towards the end of 2007 and VASTox expects to progress this candidate into Phase II development during 2008.

VASTox also has early stage research programmes, which use innovative disease models using the Company's zebrafish chemical genomics platform, in the areas of epilepsy, multiple sclerosis and cognitive disorders.

Neuromuscular diseases (NMD)
The primary focus of VASTox's drug discovery research in the area of neuromuscular diseases is Duchenne muscular dystophy (DMD), a devastating genetic disease that affects over 30,000 patients in the developed world and is generally fatal by the age of 25 years. The Company has identified a novel lead series of compounds that reverse the effects of the defective dystrophin production mechanism that causes DMD by up-regulating or increasing the production of a similar protein called utrophin.

Following the raising of £10.4 million in February 2006 to support the DMD programme, VASTox is advancing the lead series of compounds through preclinical development and selected a lead preclinical candidate in May 2007. In June 2006, Orphan Drug status was awarded by the European Medicines Agency (EMEA) and will enable clinical and regulatory development stages to be fast-tracked and potentially reduce the time to market by three to four years.

In addition, VASTox provided a grant to the UK muscular dystrophy charity, Parent Project UK (PPUK), to support the development and management of its DMD patient registry, which will be crucial in preparing and recruiting for the clinical trials.

A second NMD programme targeting the rare genetic disorder Spinal muscular atrophy (SMA) is also progressing well. SMA causes a progressive loss of motor neurons in the spinal cord leading to severe muscle atrophy and is the leading genetic cause of mortality in infants and toddlers worldwide, affecting 1 in 6,000 newborns. There are an estimated 50,000 SMA sufferers in the developed world. The Company has identified a number of "hit" compounds that improve the symptoms of SMA when tested in VASTox's *in vivo* fruitfly screen designed to model the disease. VASTox is currently optimising these compounds in order to select a candidate in late 2008 to take forward into clinical trials.

In 2006, VASTox was recognised as a neuromuscular centre of excellence by the EU when the Company joined a network called TREAT-NMD, which comprises of leading researchers, clinicians and charities to develop therapies for neuromuscular disorders. The network is funded with a €10 million grant from the EU.

VASTox continues to evaluate new research opportunities in other neuromuscular diseases.

Infectious diseases
Tuberculosis
Tuberculosis (TB) remains a huge global health issue. Currently one third of the world's population is suspected to be infected with TB and there have been no novel medicines for this disease for over 30 years. VASTox's drug discovery programme is aiming to identify potential clinical candidates against TB, including the ever increasing number of multi-drug resistant strains. The Company's programme targets *N*-acetyl transferase (NAT), an enzyme implicated in the growth of the bacteria that causes TB, *M. tuberculosis*. Following in-house screening of compound libraries, VASTox scientists have already shown

Drug Discovery continued

that small molecules that inhibit this enzyme are also active against *M. tuberculosis* with several hit compounds identified that kill the bacteria. VASTox will develop these over the next 18 months with the objective of selecting a candidate for preclinical development

Other programmes

Oncology

VASTox's lead anticancer candidate is VOX14400 and was acquired in December 2006 from MNL Pharma. VOX14400 is an immunomodulator with a novel mechanism of action that stimulates the immune system without activating toxic inflammatory responses. Preclinical development of VOX14400 is due to be completed in the first half of 2008 and Phase I clinical trials targeting several solid tumour types are scheduled to commence in the second half of the year. Aside from cancer, VOX14400 also has potential indications against allergy and as an adjuvant for vaccines, both multi-billion pound therapeutic areas.

In April 2006, VASTox initiated a drug discovery programme focused on a signalling pathway for cancer, known as Wnt. This pathway is widely recognised within the scientific community to be a good cancer target because it is active in the developing embryo when cells are required to constantly grow and differentiate. The pathway is normally inactive in adults and only switched on again in cancers.

VASTox has developed a unique screening model in fruitflies where the Wnt pathway is identical to that in humans and a crucial step in the regulation of the Wnt pathway is impaired leading to uncontrolled cell growth. The Company is currently screening its libraries of proprietary drug-like molecules through this model in order to identify compounds that counteract the effect of the defective protein.

In addition, VASTox has become a partner in a new European consortium that will undertake research towards developing new treatments for cancer targeting cancer stem cells (CSCs). The research programme, called *Targeting Cancer Stem Cells for Therapy*, will be backed by a €2 million grant from the European Commission under the Sixth Framework Programme. In recent years, CSCs have been identified as being an important factor in cancer due to their ability to both initiate and sustain tumour growth. However, there is currently no specific treatment that targets CSCs.

VASTox will work in partnership with five leading research organisations from across Europe to identify the CSCs that cause tumour growth, and thereby generate new drug targets with the ultimate objective of developing new cancer therapies.

Ophthalmology

VASTox has two preclinical research programmes investigating treatments for glaucoma and age-related macular degeneration (AMD). In glaucoma, a serious eye disorder affecting 67 million people worldwide, VASTox is working on treatments that modulate intraocular pressure and also have a direct effect on the optic nerve. In AMD, the commonest cause of eye degeneration and blindness in the western world, the patient suffers from loss of central vision and VASTox is focused on treating the underlying cause of the disease. These two programmes are progressing through the preclinical stages of development and are anticipated to enter into clinical trials by the end of 2008.

Regenerative medicine

VASTox has two early stage research programmes in regenerative medicine: bone repair and stem cells. In bone repair, the Company is investigating the bone morphogenetic protein (BMP) signalling pathway and, in particular, its role in osteoarthritis. VASTox will use zebrafish models to screen its compound libraries for small molecules that disrupt the BMP pathway and generate lead compounds with efficacy in the treatment of osteoarthritis.

In September 2006, following the award of a grant for £910,000 from the UK Department of Trade and Industry, VASTox initiated an 18-month collaborative research programme, entitled *Understanding the Molecular Activation of Stem Cells* (UNMASC). The programme will screen small molecules in zebrafish and fruitflies to identify compounds that affect stem cell fate (e.g. division, proliferation and behaviour). These hits can then be developed for use in a wide range of regenerative therapies for diseases such as Crohn's disease, Parkinson's disease and cancer.

VASTox will undertake the research in collaboration with leading academics at the University of Oxford, supported by the UK Medical Research Council.

Pharmaceutical Services

VASTox operates a hybrid business model. This model enables the Company to use its two technology platforms in chemistry and chemical genomics in its internal drug discovery research while also offering this unique range of services to third party pharmaceutical and biotechnology companies for their drug discovery efforts.

The success of VASTox's pharmaceutical services business is such that it is already generating significant revenues, which it reinvests into drug discovery programmes. During 2006/07, VASTox worked with over 25 pharmaceutical and life sciences companies and nearly doubled turnover to £1 million compared to the previous year. These service deals further validate the power of VASTox's world-leading technology platforms.

This business is expected to grow significantly in 2007 owing to the strengthening of its capabilities in all areas through the acquisition and integration of DanioLabs, Dextra Laboratories and the key assets of MNL Pharma. The impact of these additions to the new enlarged Company will be to provide further immediate complementary expertise and high-quality facilities as well as existing contracts and revenue streams, and access to a significantly broader customer base. For example, in zebrafish chemical genomics, VASTox can count five of the ten largest pharmaceutical companies in the world as clients.

VASTox offers chemical genomics drug discovery services from its two world-class zebrafish facilities in Oxford and Cambridge whilst the core of the carbohydrate services business operates out of its subsidiary group, Dextra Laboratories, in Reading.

The key pharmaceutical services VASTox offers are designed to shorten discovery timelines and to reduce attrition rates in the drug discovery and development process, and include:

- target identification
- disease pathway interrogation
- disease models
- drug reprofiling
- predictive toxicology
- carbohydrate and medicinal chemistry, and
- GMP capability in carbohydrate chemistry (mid 2007)

Furthermore, as industry recognition of the benefits and value of VASTox's unique pharmaceutical service offering grows, the Company is looking to higher- value and longer-term research partnerships in the future.

In February 2007, following the successful completion of several pilot projects, the Company initiated its first new collaboration of this type, with the multinational pharmaceutical company Rottapharm S.p.A.

In the 12-month collaboration with Rottapharm, VASTox will generate a zebrafish screening model for osteoarthritis, which will test potential drug candidates and therefore accelerate Rottapharm's unique discovery programme in this area. In addition, VASTox will provide predictive safety and toxicology testing using its proprietary "vivo™" technology platform, which will ensure, early in the discovery process, that only high-quality compounds are selected.

A second deal also signed in February 2007 will use VASTox's medicinal chemistry expertise and experience in a 10-month research collaboration to support one of the unnamed client's drug discovery programmes.

Combined, these collaborations will generate revenues of nearly €1 million for VASTox over the duration of the programmes and represent a step-up in magnitude of deal value to the Company.

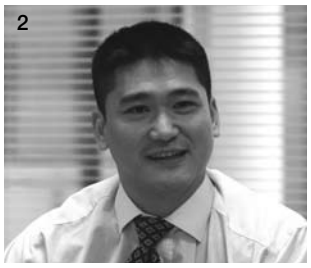
Case study

Roche

VASTox offers its innovative technology platforms and drug discovery expertise to the wider pharmaceutical and life science industries to help advance their drug programmes whilst generating immediate revenues for the business. During the past year, VASTox has completed studies which have validated the power the Company's technologies bring to the drug discovery process.

One example was a joint study with three leading pharmaceutical companies, Roche, Bayer-Schering and Merz, which tested known compounds in VASTox's zebrafish screens for teratogenicity, an effect in humans that would cause malformations in a developing embryo. The compounds were blind tested with the results proving to be highly predictive for this toxic effect.

Board of Directors



1. Barry Price, PhD
Non-executive Chairman
Dr Price (63) joined VASTox as Non-executive Chairman in September 2006 and brings to the Company a wealth of industry and board-level expertise in the pharmaceutical and life sciences industries. Previously, he spent 28 years with the Glaxo Group of companies and held several executive positions including Managing Director of Glaxochem Ltd. Since 1996, Dr Price has been a Non-executive Director of Shire plc and during his time in the position, he has seen Shire develop into one of the UK's largest life science companies. Dr Price is also currently Chairman of BioWisdom Ltd and Antisoma plc and in recent years has held directorships at Chiroscience plc, Celltech Group plc and Pharmagene plc.

2. Steven Lee, PhD
Chief Executive Officer
Dr Lee (40) joined VASTox as CEO in September 2004. Prior to this, he held a number of senior commercial and business development roles with major UK biotechnology companies including British Biotech plc, PA Consulting Group, Chiroscience Group plc and Datamonitor plc. From 2001 until 2004, Dr Lee was Executive Director of Life Sciences at the commercialisation specialists IP2IPO Ltd (now IP Group plc). He has also acted as a consultant on product strategy to major pharmaceutical companies including Zeneca, Glaxo Wellcome, Novartis and Johnson & Johnson. Dr Lee holds a PhD in parasite epidemiology from Kings College London.

3. Darren Millington, ACMA
Chief Financial Officer & Company Secretary
Mr Millington (31) joined VASTox in April 2005 as Head of Finance and Company Secretary. He was subsequently appointed to the Board of Directors as Chief Financial Officer in May 2006 and retains his position as the Company Secretary. He is a Chartered Management Account. Having worked in the Audit and Advisory Divisions at Arthur Andersen (later acquired by Deloitte & Touche), he joined IP2IPO Ltd (now IP Group plc) as Group Financial Controller. Mr Millington holds a Masters degree in Theoretical Physics from the University of London.

4. Richard Storer, DPhil
Chief Scientific Officer
Dr Storer (60) was appointed to the Board of Directors as Chief Scientific Officer in May 2006. During his 30-year career within the pharmaceutical industry, he has overseen the progression of several discovery programmes into clinical development with several subsequently being launched to market including the blockbuster products Epivir and Relenza. His formative years were spent at GlaxoWellcome before moving to BioChem Pharma Inc. (now part of Shire plc) as Senior Director of Chemistry prior to joining Idenix Pharmaceuticals as Senior Vice President of Chemistry. In 1996, Dr Storer received the Canadian Prix Galien for the discovery of 3TC (Epivir) and is a Fellow of the Royal Society of Chemistry.

5. James Taylor
Chief Commercial Officer
Mr Taylor (46) joined the Board of Directors at VASTox as Chief Commercial Officer in July 2006, bringing more than 20 years of commercial business experience from his career in life sciences. Before joining VASTox, Mr Taylor was Vice President of Business Development at the drug discovery company Cellzome Inc. where he was responsible for the commercialisation of the Company's complex drug discovery technology and the licensing of early stage discovery programmes. Previously, he was the Biotechnology Commercial Manager at ICI Biologicals before being promoted to Head of Strategy and Business Development for AstraZeneca's plant biotechnology business. Mr Taylor is also a Non-executive Director of the UK biotechnology company Karus Therapeutics Ltd.

6. Professor Stephen Davies
Non-executive Director

Professor Davies (57) co-founded VASTox in January 2003. He was Chairman of VASTox until September 2006 and guided the Company through a successful flotation and the formative years of the Company's development. In 1992, Prof. Davies founded the spin-out companies Oxford Asymmetry and Oxford Diversity which later combined for the IPO of Oxford Asymmetry International. This subsequently merged in 2000 with Evotec for £316 million. He has been professor at Oxford University for over 20 years and was elected to the Waynflete Chair of Chemistry in 2006, one of the most prestigious academic posts in UK science. In addition, Prof. Davies has received numerous awards for his contribution to organic chemistry.

7. Sir Brian Richards
Non-executive Director

Sir Brian Richards (74) was appointed Non-executive Director of VASTox in October 2005. Sir Brian is vastly experienced within the pharmaceutical and biotechnology industries and is currently Chairman of Alizyme plc, Cozart plc and Lipoxen plc. He also co-founded British Biotech Ltd, serving as Executive Chairman until 1993 and has held non-executive chairmanships or directorships in several UK and international biotechnology companies. He received a CBE in 1990 and was Knighted in 1997 in recognition of his services to the biotechnology industry.

8. David Norwood
Non-executive Director

Mr Norwood (38), is Executive Chairman of IP Group plc (formerly IP2IPO Ltd), the AIM-listed technology commercialisation specialists. He has a wide range of experience in early- and mid-stage technology companies as an investor, adviser and a director. In 1999, Mr Norwood founded IndexIT, a technology advisory consultancy, which was acquired by Beeson Gregory in 2000. He was a Director of Beeson Gregory and later, Evolution Group plc. He has been a foreign exchange trader and an investment analyst with Bankers Trust, Duncan Lawrie and Williams de Bröe.

9. Colin Wall, PhD
Non-executive Director

Dr Wall (57) was appointed to the VASTox Board as the Senior Independent Non-executive Director in September 2006 and also chairs the Company's Remuneration Committee. He has a PhD in Forensic Chemistry and subsequently worked with Blue Circle Industries as Head of Cement Chemistry and in venture capital before founding his own company, Copley Wall & Associates in 1991 of which he is currently Chairman. He is also Chairman of Elvström Sobstad (UK) Ltd and is a Non-executive Director of Elvström Salis A/S.

10. Andrew Richards, PhD
Non-executive Director

Dr Richards (47) was appointed to the VASTox Board as a Non-executive Director in March 2007 following the acquisition of DanioLabs Ltd. As a biotechnology entrepreneur, he founded Chiroscience in 1992 and was an Executive Director until its merger with Celltech in 1999. Currently Dr Richards is a Director at Vectura plc, BioWisdom Ltd, Theradeas Ltd, Cancer Research Technology Ltd (the commercial arm of CR-UK), Babraham Bioscience Technology Ltd and is Chairman of Geneservice. He is also a founding member of the Cambridge Angels, a founding investor in LibraryHouse, a member of the Council of UEA and a Director of the Bioindustry Association (BIA). Dr Richards is a Cambridge graduate with a PhD in Enzyme Chemistry.

11. George Elliott, CA
Non-executive Director

Mr Elliott (54) joined the VASTox Board of Directors in April 2007. For seven years, Mr Elliott served as Chief Financial Officer and Finance Director of the international technology company, Wolfson Microelectronics plc. Previously he was Business Development Director at McQueen International Ltd (now SYKES), where he was responsible for strategic sales and marketing. Mr Elliott, formerly a partner of Grant Thornton, is a Chartered Accountant and has a degree in Accountancy and Finance from Heriot-Watt University.

Directors' Report and Business Review
For the year ended 31 January 2007

The directors present their report and the audited financial statements for VASTox plc ("VASTox") and its subsidiaries (the "VASTox Group" or "the Group") for the year ended 31 January 2007.

Principal activities
The principal activity of the Group is proprietary drug discovery in areas of unmet medical need and the provision of chemical genomics services.

Directors
The directors who served during the period were:

Executive

Steven Lee, PhD	Chief Executive Officer
Richard Storer, DPhil	Chief Scientific Officer, appointed 26 April 2006
Darren Millington, ACMA	Chief Financial Officer, appointed 9 May 2006
James Taylor	Chief Commercial Officer, appointed 12 July 2006

Non-executive

Barry Price, PhD	Chairman, appointed 26 September 2006
Professor Stephen Davies	Non-executive Director (was Chairman until 26 September 2006)
John Montgomery	Non-executive Director, resigned 26 September 2006
David Norwood	Non-executive Director
Sir Brian Richards	Non-executive Director
Colin Wall, PhD	Non-executive Director, appointed 26 September 2006

On the 22 March 2007 VASTox appointed Andrew Richards as Non-executive Director.

On the 19 April 2007 VASTox appointed George Elliott as a Non-executive Director.

Details of the directors' interests, share options and service contracts are shown in the directors' remuneration report.

The Company maintained directors' and officers' liability insurance cover throughout the period.

Biographical details of the directors are available on pages 20 and 21.

Principal risks and uncertainties
Intellectual property

In common with all drug development companies, VASTox faces the risk that the intellectual property rights necessary to exploit R&D efforts may not be adequately secured or defended. The Group's intellectual property may also become obsolete before the products and services can be fully commercialised.

R&D risk

There is always a risk that drugs under development will fail for a number of possible reasons. Potential drugs could fail to show reproducible results in clinical trials, produce unacceptable side effects that do not outweigh any clinical benefit or be uneconomic to develop.

Regulatory risk
Drug development is a highly regulated activity with multiple agencies working to ensure that clinical trials and new drugs are safe and effective. It can be difficult to predict the exact requirements of regulatory bodies in different jurisdictions. Clinical or regulatory issues can lead to delays in drug development which take significant time and investment to resolve.

Commercial risk
The Group's two platform technologies in chemical genomics and carbohydrate chemistry may be superseded by direct competitors. Alternative technologies could be developed that undermine the Group's services business or make our current technologies uneconomic for the market.

Financial risk
The successful development of the Group's drug programmes requires financial investment which can come from revenues, commercial partners or investors. Failure to generate additional funding from any these sources may lead to postponement of drug programmes and a reduction in R&D operations.

Results and dividends
The consolidated profit and loss account for the year is set out on page 35. The Group's loss for the financial year after taxation was £2,999,371 (2005/06: loss of £1,061,453).

The directors do not recommend the payment of a dividend.

Charitable and political donations
The Group made no charitable or political donations during the year (2005/06: nil).

Financial information
The Group produces detailed budgets and cash flow projections twice yearly for approval by the Board. Detailed management accounts are produced on a monthly basis for review and comment by the Board. Significant variances from budget are investigated promptly. Sales forecasts are produced on a weekly basis for review by the Executive Management Committee.

Financial Key Performance Indicators ("KPIs")
The directors consider cash, revenues and R&D spend to be the Group's KPIs. These are detailed in the financial review on pages 10 and 11.

Supplier payment policy
It is the Group's policy to settle debts with its creditors on a timely basis, taking best advantage of the terms and conditions offered by each supplier. At 31 January 2007, the number of creditor days outstanding for the Group was 51 days (2005/06: 32 days). The Company had no trade creditors at 31 January 2007 or 31 January 2006.

Directors' Report and Business Review continued
For the year ended 31 January 2007

Financial instruments and management of liquid resources
The Group's principal financial instrument comprises cash, and this is used to finance the Group's operations. The Group has various other financial instruments such as trade creditors that arise directly from its operations. The Group has a policy, which has been consistently followed, of not trading in financial instruments. The Group places deposits surplus to short-term working capital requirements with a range of reputable UK-based banks and building societies. These balances are placed at fixed rates of deposit with maturities between one month and six months. The Group's treasury policy is reviewed annually.

Substantial shareholdings
On 18 May 2007 the Company had been notified of the following holdings of more than 3% or more of the issued share capital of the Company.

	Number of shares held	%
Professor Stephen Davies	6,060,600	12.21
Morstan Nominees Ltd	4,265,000	8.59
IP2IPO Ltd	4,040,400	8.14
Professor Kay Davies	3,838,380	7.73
The First Cambridge Gateway General	2,957,162	5.96
Chase Nominees Ltd	1,970,578	3.97
Merifin Capital NV	1,498,389	3.02

Annual General Meeting
Accompanying this report is the notice of the Annual General Meeting together with the notes on the proposed resolutions. The meeting will be held at 9.30am on 19 July 2007 at the offices of Huntsworth plc, 8th Floor, 26 Finsbury Square, London, EC2A 1SF.

Auditors
BDO Stoy Hayward LLP has expressed its willingness to continue in office as auditors for the year. A resolution to reappoint it will be proposed at the forthcoming Annual General Meeting.

All the current directors have taken all steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

Darren Millington, ACMA
Company Secretary
11 June 2007

Corporate Governance Report

For the year ended 31 January 2007

The Combined Code

The Group supports the principles of good corporate governance and follows the Combined Code on corporate governance where its recommendations are appropriate for a group of VASTox's size. As an AIM-quoted company, the Group is not required to comply with the requirements of the Combined Code. As such, this section provides general information on the Group's adoption of corporate governance but does not constitute full compliance with the Combined Code.

Board of directors

The Group is controlled on behalf of its shareholders by the Board of directors which currently comprises four executive directors and seven non-executive directors.

The Board is responsible to shareholders for the proper management of the Group and meets formally at least 10 times a year to set the overall direction and strategy of the Group, to review scientific, operational and financial performance and to advise on management appointments. All key operational and investment decisions are subject to Board approval. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

The roles of Chief Executive Officer and Chairman are separate and there is a clear division of their responsibilities.

Of the seven non-executive directors, five are considered by the Board to be independent (Barry Price, Brian Richards, Colin Wall, Andrew Richards and George Elliott). The Board considers that all of the non-executive directors are of sufficient competence and calibre to add strength and objectivity to the Board.

The Senior Independent Director is Colin Wall.

Directors are subject to election by shareholders at the first opportunity after their appointment and a third are subject to re-election at each annual general meeting.

Committees of the Board

Audit Committee

The Audit Committee comprises Stephen Davies, David Norwood and Brian Richards, who is Chairman. The Chief Executive Officer and Chief Financial Officer attend by invitation only. The Committee oversees the monitoring of the Group's internal controls, accounting policies and financial reporting and provides a forum for dialogue with the external auditors. It also reviews the scope and results of the external audit. The committee reviews all material non-audit engagements and reports to the Board on the auditors' objectivity and independence.

The Audit Committee meets at least twice a year with the external auditors.

Remuneration Committee

The Remuneration Committee comprises Stephen Davies, Brian Richards and Colin Wall, who is Chairman. Other directors can attend the meeting by invitation. The Remuneration Committee is responsible for reporting to the Board on the performance of the executive directors and the appropriate level and structure of remuneration. The Remuneration Committee recommends service contracts and remuneration levels based on advice from specialist independent consultants.

The directors' remuneration report is presented on pages 27 to 32.

Nomination Committee

The Nomination Committee comprises Brian Richards, Colin Wall and is chaired by Barry Price. Other directors can attend the meeting by invitation. The Nomination Committee meets at least once per year and is responsible for reviewing the size, structure and balance of the Board. The committee is also responsible for succession planning for both executive and non-executive directors.

The terms of reference for all committees are available on request from the Company Secretary.

Corporate Governance Report continued
For the year ended 31 January 2007

Attendance at Board meetings and committees
The directors attended the following Board meetings and committees during the period:

Attendance	Board	Remuneration	Nomination	Audit
Barry Price – appointed 26 September 2006	4/4	–	–	–
Steven Lee	10/10	–	3/3	–
Richard Storer – appointed 26 April 2006	8/8	–	–	–
Darren Millington – appointed 9 May 2006	7/7	–	–	–
James Taylor – appointed 12 July 2006	6/6	–	–	–
Stephen Davies	10/10	6/6	3/3	2/2
John Montgomery – resigned 26 September 2006	4/6	2/4	1/3	1/2
David Norwood	7/10	3/6	1/3	1/2
Brian Richards	8/10	2/6	1/3	1/1
Colin Wall – appointed 26 September 2006	3/4	2/2	–	–

Board performance and evaluation
Directors are subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years. The Board has a process for evaluation of its own performance, that of its committees and individual directors, including the Chairman. These evaluations are carried out at least annually.

Risk management and internal control
The entire Board is responsible for managing the risks of the Group and employs senior employees with appropriate knowledge and skills to effectively manage the operational and financial risks of the business.

VASTox has an organisational structure with clearly defined lines of reporting and responsibility. The structure is reviewed regularly to ensure appropriate levels of delegation and authority. All Group employees are required to adhere to specified codes of conduct, policies and procedures.

Although the Company does not have an internal audit function, the Board has reviewed the effectiveness of internal financial, operational and compliance controls during the year and is satisfied that these have been followed during the period.

Relationship with shareholders
The Board recognises the importance of effective and constructive dialogue with the Company's shareholders. The Group communicates to investors through its interim and annual results, press releases and presentations at conferences, the Company's website vastox.com and through general meetings. The Board also meets regularly with analysts and institutional investors throughout the year. Private investors are welcome to contact the Company and attend the Annual General Meeting. All shareholders will have at least 21 days' notice of the Annual General Meeting at which the directors will be available to discuss aspects of the Group's performance and question management in more detail. The Senior Independent Director is available to shareholders if contact through the normal channels is inappropriate or has failed to resolve concerns.

Directors' Remuneration Report

For the year ended 31 January 2007

Unaudited information

Although as an AIM-listed company, VASTox is not obliged to comply with the provisions of the Remuneration Report Regulations 2002, as part of the Board's commitment to good governance the Company has prepared this Remuneration Report in line with that required companies listed on the main market.

Remuneration Committee

The Remuneration Committee (the "Committee") is responsible for:

- Establishing and recommending to the Board the policy for executive remuneration;
- Determining, on behalf of the Board and shareholders, the level and structure of remuneration packages of the executive directors and selected senior executives;
- Reviewing the structure of share schemes, and the policy for remuneration across the wider organisation.

The remuneration arrangements for the Chairman and Non-executive Directors are determined by the Board as a whole. Non-executive Director remuneration is agreed by the Chairman and Chief Executive Officer. No director is involved in discussions relating to his own remuneration.

The members of the Committee during the year were:
Colin Wall (Chairman from 26 September 2006)
Sir Brian Richards
Professor Stephen Davies (Chairman until 26 September 2006)

The committee meets at least four times a year and met six times during the year. A table of attendance records is given on page 26.

During the year the Committee received guidance on executive remuneration from the Non-executive Chairman and the Chief Executive Officer, except on matters relating to their own remuneration. The Committee also consulted with specialist consultants who have been appointed by the Committee to provide independent, external advice.

Remuneration policy

The Remuneration Committee sets the remuneration philosophy which aims to align executive director and senior management remuneration with shareholders' interests and to attract and retain the best talent for the benefit of the Group. During the year, the Committee carried out a full review of VASTox's executive remuneration arrangements to ensure they are competitive and appropriate for a company of VASTox's size and structure, and that policy reflects current best practice. As a result of this review, the Committee has adopted a new remuneration policy involving:

- competitive base salaries broadly anchored around median; and
- total remuneration packages that follow the fortunes of the Company as closely as possible.

Consistent with this policy, salaries are benchmarked against the median for UK companies of comparable size and sector. Performance-related incentives are targeted at upper quartile levels for outstanding performance to produce a highly leveraged package if the Company's growth objectives are attained. The Company is committed to the principle of paying for performance at all levels within the organisation.

The new policy will result in decreased remuneration for below average performance and increased remuneration for above average performance, and will rebalance the mix of incentives towards long term performance.

Elements of executive director remuneration

The remuneration of executive directors during the year 2006/07 comprised the following:

- base salary
- annual performance bonus
- share options
- pension contribution
- other benefits

Basic salary

Basic salaries are reviewed annually and revised salaries take effect from November each year. The review process is managed by the Remuneration Committee with reference to market salary data provided by independent remuneration consultants and each executive's performance and contribution to the Company during the year.

As a result of the review, the Committee will, in future, assess the market competitiveness of pay primarily in terms of total remuneration, with less emphasis on base salary.

Directors' Remuneration Report continued
For the year ended 31 January 2007

Bonuses
During the year bonuses were payable at the discretion of the Committee in recognition of outstanding personal performance.

Annual bonuses for the year to 31 January 2008 and for subsequent years will be based on achievement of stretching Company financial and strategic targets and personal performance objectives. Maximum opportunities will be 50% and 100% of salary for executive directors and the Chief Executive respectively.

Share options
The Company believes that share options continue to be an appropriate mechanism to incentivise staff and allow valued employees to share in the success of the Company.

Executive directors are awarded share options at the discretion of the Remuneration Committee. All share options are granted at the closing mid-market value of the Company's ordinary shares on the day prior to grant. Option awards made to date generally vest in three equal portions on the first, second and third anniversaries after grant. Going forward, the Committee intends to adopt an annual option award policy, whereby executives will be eligible to receive an annual award of options of up to 100% of salary. The extent to which these options vest will be based on three-year relative total shareholder return ("TSR") performance as compared to the FTSE techMARK mediscience Index. TSR is defined as the return on investment a shareholder receives over a specified period of time, including any change in share price and dividends received. Threshold vesting (33% of an award) would require VASTox's TSR to equal the Index and full vesting would require VASTox's TSR to out-perform the Index TSR by at least 20% p.a.

All employees are generally offered share options under the Company's EMI share option scheme after 12 months' service. Option awards for employees are recommended by the executive directors and approved by the Remuneration Committee.

Pension
The Group operates a defined contribution pension scheme which is available to all employees. The assets of the scheme are held separately from those of the Company in independently administered funds.

Other benefits
All staff are eligible for life assurance and private medical insurance after a three month probationary period.

In exceptional circumstances, the Company may offer a relocation allowance to new directors or key employees.

The Company does not offer a company car allowance for any member of staff.

Executive directors' service contracts and termination provisions
The Company's policy in entering into service contracts with executive directors is to offer a contract that enables the recruitment and retention of high calibre leaders and to protect the Company against sudden departure, particularly to competitor companies. The service contracts of executive directors are approved by the Remuneration Committee and are one-year rolling contracts. The service contract may be terminated by either party giving 12 months' notice to the other. It is also the Company's policy that termination payments should not exceed the director's current salary, benefits and bonus entitlements for the notice period. The details of the directors' contracts are summarised below:

	Date of contract	Notice period
Steven Lee	1 September 2004	12 months
Richard Storer	26 April 2006	12 months
Darren Millington	9 May 2006	12 months
James Taylor	12 July 2006	12 months

New incentive arrangements

In summary, the Committee has agreed to:

- Award bonuses that will be subject to achievement of stretching Company financial and strategic targets and personal performance objectives (as described above).
- Continue to grant options under the executive share option scheme, and adopt an annual award policy of up to 100% of salary. The extent to which these options vest would be based on three-year relative TSR performance relative to the FTSE techMARK mediscience Index. Threshold (33% vesting) would require VASTox's TSR to equal the Index. Full vesting would require VASTox's TSR to out-perform the Index TSR by at least 20% p.a.
- Allow executives to commit some or all of their bonus into VASTox shares, with the opportunity to earn a match of up to 3 for 1 for meeting challenging three-year absolute TSR targets.
- Introduce a share ownership guideline of 1x basic salary for executive directors. If at any time the guideline is not met, executives would have to retain at least 50% of shares vesting under any equity scheme.

New option scheme

The key features of the new option scheme are as follows:

- Annual grants of fair market value options vesting on three-year TSR relative to the FTSE techMARK mediscience Index.
- No options vest if VASTox's TSR is below the Index TSR.
- 33% of options vest if VASTox's TSR equals the Index TSR.
- 100% of options vest if VASTox's TSR out-performs the Index TSR by at least 20% p.a.
- Pro rata vesting in between.
- Initially the Company is proposing annual grants of up to 1x of salary. Grant levels will be reviewed from time to time, taking account of total remuneration versus the market. However, the Company would not expect to change the grant sizes each year.

The Committee believes long-term TSR relative to a sector index is an objective measure of the Company's success that is strongly aligned with shareholders' interests. It is proposed that the Committee reviews the continued validity of the comparator index at the beginning of each performance cycle.

New bonus co-investment plan

In line with the desire to see VASTox executives holding shares in the Company, the Committee wishes to encourage executives to commit a portion of their earned annual bonus into VASTox shares. To support this, the Company will introduce a voluntary bonus co-investment plan that would provide an opportunity to earn up to three matching shares for each invested share based on three-year TSR. The Company believes TSR is the most appropriate measure of VASTox's overall performance at this time.

The key features of the new bonus co-investment plan are as follows:

- Voluntary commitment or purchase of up to 100% of any earned annual bonus into VASTox shares.
- Invested shares to be held for a period of three years.
- Opportunity to earn up to three matching shares for each invested share based on stretching three-year TSR targets.
- Number of matching shares for the first cycle to be based on a straight line from a 1 for 1 match for TSR of 10% p.a. to a 3 for 1 match for TSR of at least 30% p.a.
- Matching shares to be forfeited if an executive resigns or withdraws their investment within three years of the start of the performance period.
- Dividends to be accrued over the performance period and paid at the time of vesting, on shares that vest.

Non-executive directors' service contracts and remuneration

The remuneration of the non-executive directors is determined by the Board as a whole, with regard to market comparatives. Independent advice is sought to ensure parity is maintained with similar businesses. The basic annual fee for non-executive directors was increased during the year in line with market comparatives and commensurate with the growth in the size of the Company. The basic annual fee for non-executives is £27,500 with an additional £3,000 for fulfilling a committee chairman or Senior Independent non-executive role. The Chairman's basic fee was also increased to £66,000, with no additional committee fees.

Directors' Remuneration Report continued
For the year ended 31 January 2007

In order to align the interests of non-executives with shareholders and executives, the Company has decided to introduce a non-executive share ownership requirement of 25% of cumulative net fees. Non-executives have the option to receive up to all of their fee in VASTox shares. Non-executives must receive at least 25% of their fee in VASTox shares and are not permitted to sell shares until the guideline is met.

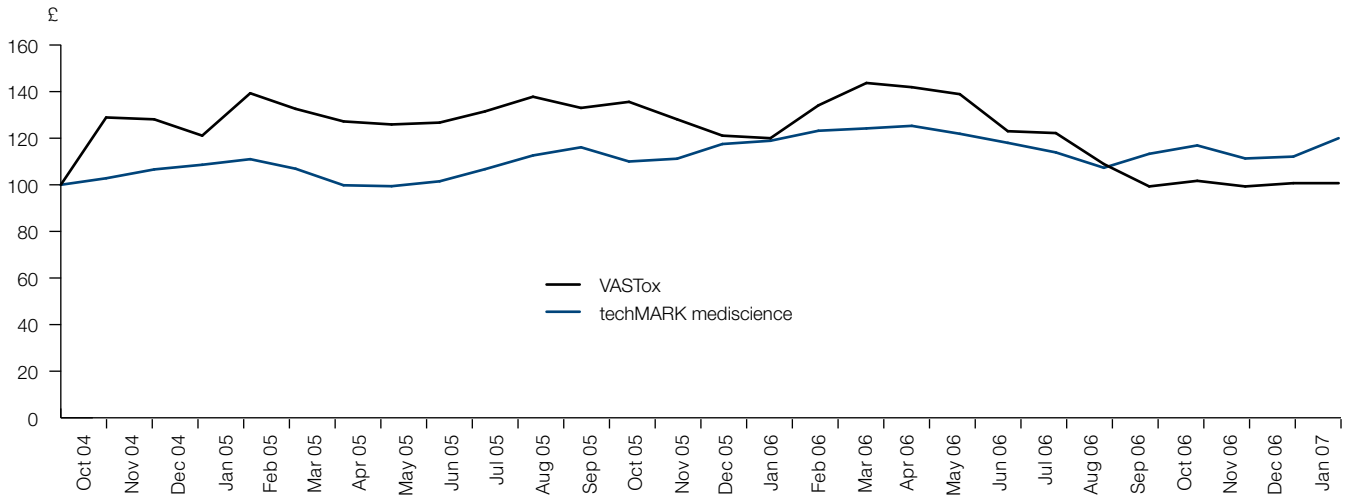
The non-executive directors do not receive any pension, bonus or share option benefits from the Company. The contracts of the non-executive directors are reviewed by the Board annually. Current contracts are summarised below:

	Date of contract
Barry Price	26 September 2006
Stephen Davies	17 February 2003
David Norwood	17 February 2003
Brian Brichards	7 October 2005
Colin Wall	26 September 2006
Andrew Richards	22 March 2007
George Elliott	19 April 2007

Non-executives have contracts that have a term of three years, but can be terminated without notice by either party.

Performance graph
The graph below shows a comparison between the Company's total shareholder return performance compared with the companies in the techMARK mediscience index of the London Stock Exchange. The graph covers the period from the Company's admission to AIM on 14 October 2004 to 31 January 2007 and shows the relative value of £100 invested in VASTox and the AIM index from this date. The directors have selected the techMARK mediscience index as a comparison as it contains a number of companies of similar size and/or operating in VASTox's sector.

The market price of the Company's shares at 31 January 2007 was 133.5p. During the year from 1 February 2006, the market price of the Company's shares has ranged from 125p to 194p.



This graph shows the value to 31 January 2007 of £100 invested in VASTox plc from when the Company floated on AIM on 14 October 2004, compared with the techMARK mediscience index over the same period.

Directors' remuneration (forming part of the financial statements)

Audited information

The following information has been audited by the Company's auditors, BDO Stoy Hayward LLP.

The directors received the following remuneration during the year:

Director	Salary and fees £	Bonuses £	Relocation allowance £	Taxable benefits £	Pension contributions £	**Total 2006/07 £**	Total 2005/06 £
Executive							
Steven Lee	181,250	200,000	–	175	–	**381,425**	231,626
Richard Storer[1]	130,577	35,000		7,796	6,562	**179,935**	–
Darren Millington[2]	63,065	20,000	–	169	3,854	**87,088**	–
James Taylor[3]	71,077	5,000	12,000	126	3,500	**91,703**	–
Non-executive							
Barry Price[4]	21,154	–	–	–	–	**21,154**	–
Stephen Davies	12,500	–	–	–	–	**12,500**	–
John Montgomery[5]	4,167	–	–	–	–	**4,167**	–
David Norwood	12,500	–	–	–	–	**12,500**	–
Brian Richards	25,000	–	–	–	–	**25,000**	8,333
Colin Wall[6]	8,718	–	–	–	–	**8,718**	–
	530,008	260,000	12,000	8,266	13,916	**824,190**	239,959

1 Richard Storer was appointed on 26 April 2006
2 Darren Millington was appointed on 9 May 2006
3 James Taylor was appointed on 12 July 2006
4 Barry Price was appointed on 26 September 2006
5 John Montgomery resigned on 22 September 2006
6 Colin Wall was appointed on 26 September 2006

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors. Details of these options are as follows:

Director	Date of grant	At 1 February 2006	Granted during period	Exercised during the period	**At 31 January 2007**	Price per share (p)	of which exercisable	Expiry date
Steven Lee	2 Sep 04	2,020,000	–	–	**2,020,000**	0.495	Note (i)	2 Sep 14
	2 Dec 05	550,000	–	–	**550,000**	171.5	Note (ii)	2 Dec 15
		2,570,000	–	–	**2,570,000**			
Richard Storer	2 May 06	–	540,120	–	**540,120**	165.0	Note (iii)	2 May 16
	2 May 06	–	59,880	–	**59,880**	167.0	Note (iv)	2 May 16
		–	600,000	–	**600,000**			
Darren Millington	1 Jul 05	60,000	–	–	**60,000**	169.5	Note (v)	1 Jul 15
	2 Dec 05	90,000	–	–	**90,000**	171.5	Note (v)	2 Dec 15
	2 Nov 06	–	250,000	–	**250,000**	135.0	Note (v)	2 Nov 16
		150,000	250,000	–	**400,000**			
James Taylor	18 Aug 06	–	300,000	–	**300,000**	141.0	Note (v)	18 Aug 16
		–	300,000	–	**300,000**			

Notes

(i) These options were awarded prior to the Company's flotation at an exercise price equal to the share price at the Company's formation. All shares have vested.
(ii) These options vest in the following proportions: 100,000 on award, 100,000 on 2 December 2006; 100,000 on 2 December 2007 and 250,000 on 2 December 2008. The share options were granted at the closing mid-market value of the shares on 30 November 2005.
(iii) Vesting in the following proportions: 40,120 on 2 May 2007; 200,000 on 2 May 2008, and 300,000 on 2 May 2009.
(iv) All share options vest on 2 May 2007.
(v) These share options vest in three equal proportions on the first, second and third anniversaries of their grant. The share options were granted at the closing mid-market price of the shares on the day prior to the award of the options.

Directors' Remuneration Report continued
For the year ended 31 January 2007

Directors' shareholdings
The directors who served during the period, together with their beneficial interests in the shares of the Company, are as follows:

Director	Ordinary shares at 31 January 2007	Ordinary shares at 31 January 2006
Executive		
Steven Lee	**148,148**	148,148
Richard Storer	**–**	–
Darren Millington[1]	**1,111**	–
James Taylor	**–**	–
Non-executive		
Barry Price	**–**	–
Stephen Davies	**6,208,748**	6,208,748
John Montgomery[2]	**1,019,359**	1,019,359
David Norwood	**–**	–
Brian Richards	**–**	–
Colin Wall	**36,000**	–

1 Darren Millington purchased shares prior to becoming a director.
2 John Montgomery resigned from the Board on 26 September 2006.

On behalf of the Board

Colin Wall, PhD
Chairman of Remuneration Committee
11 June 2007

Statement of Directors' Responsibilities

For the year ended 31 January 2007

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- to presume that the Company will continue in business.

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

Going concern

After making enquiries the directors have formed a judgement, at the time of approving the financial statements, that there is reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

Steven Lee, PhD
Chief Executive Officer
11 June 2007

Independent Auditors' Report to the Shareholders of VASTox plc

We have audited the consolidated and parent company financial statements (the "financial statements") of VASTox plc for the year ended 31 January 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Where a company is fully listed there are additional responsibilities contained in the Companies Act 1985 relating to the preparation of a Directors' Remuneration Report, VASTox plc has voluntarily complied with these requirements.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's affairs as at 31 January 2007 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 January 2007;
- the consolidated and parent company financial statements have been properly prepared in accordance with the Companies Act 1985;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the provisions of Schedule 7A of the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Southampton
11 June 2007

Consolidated Profit and Loss Account

For the year ended 31 January 2007

	Notes	2007 £	Restated 2006 £
Turnover	2	**1,033,823**	531,361
Cost of sales		**(303,673)**	(233,444)
Gross profit		**730,150**	297,917
Research and development		**(2,937,396)**	(1,025,683)
General, management and administration		**(1,830,292)**	(1,005,366)
Share-based payment charge		**(403,898)**	(66,626)
Total administrative expenses		**(5,171,586)**	(2,097,675)
Other operating income	3	**80,357**	–
Operating loss	3	**(4,361,079)**	(1,799,758)
Interest receivable		**872,766**	582,868
Loss on ordinary activities before taxation		**(3,488,313)**	(1,216,890)
Tax on loss on ordinary activities	5	**488,942**	155,437
Loss on ordinary activities after taxation	18	**(2,999,371)**	(1,061,453)
Basic and diluted loss per ordinary share	6	**(8.24p)**	(3.39p)

All amounts relate to continuing activities.

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 January 2007

	2007 £	Restated 2006 £
Loss for the financial year	**(2,999,371)**	(1,061,453)
Prior year adjustment – note 1	**(73,826)**	–
Total gains and losses recognised since last financial statements	**(3,073,197)**	(1,061,453)

The notes on pages 39 to 53 form part of these financial statements.

Consolidated Balance Sheet

For the year ended 31 January 2007

	Notes	31 January 2007 £	31 January 2006 £
Fixed assets			
Intangible assets	7	**377,668**	28,016
Tangible assets	8	**2,624,054**	1,261,082
		3,001,722	1,289,098
Current assets			
Stock	10	**187,444**	27,000
Debtors	11	**1,116,746**	541,300
Cash on short term deposits	12	**15,079,702**	11,593,626
Cash at bank		**3,209,392**	1,039,690
		19,593,284	13,201,616
Creditors: amounts falling due within one year	13	**(1,427,111)**	(704,833)
Net current assets		**18,166,173**	12,496,783
Creditors: amounts falling due after more than one year	14	**(597,355)**	(690,812)
Provision for liabilities and charges	15	**(100,000)**	–
Net assets		**20,470,540**	13,095,069
Capital and reserves			
Called up share capital	16	**3,721,707**	3,131,311
Share premium account	18	**22,327,396**	12,946,848
Other reserves	18	**(1,942,589)**	(1,942,589)
Share based payment	18	**477,724**	73,826
Profit and loss account	18	**(4,113,698)**	(1,114,327)
Equity shareholders' funds	18	**20,470,540**	13,095,069

The notes on pages 39 to 53 form part of these financial statements.

Approved by the Board of Directors and authorised for issue.

Steven Lee, PhD
Chief Executive Officer
11 June 2007

Darren Millington, ACMA
Company Secretary
11 June 2007

Company Balance Sheet

For the year ended 31 January 2007

	Notes	31 January 2007 £	Restated 31 January 2006 £
Fixed assets			
Investments	9	**2,497,922**	2,094,024
Current assets			
Debtors – due after more than one year	11	**24,194,798**	14,225,887
Debtors – due within one year	11	**2,033**	–
		24,196,831	14,225,887
Net current assets		**24,196,831**	14,225,887
Net assets		**26,694,753**	16,319,911
Capital and reserves			
Called up share capital	16	**3,721,707**	3,131,311
Share premium account	18	**22,327,396**	12,946,848
Share based compensation	18	**477,724**	73,826
Profit and loss account	18	**167,926**	167,926
Equity shareholders' funds	18	**26,694,753**	16,319,911

The notes on pages 39 to 53 form part of these financial statements.

Approved by the Board of Directors and authorised for issue.

Steven Lee, PhD
Chief Executive Officer
11 June 2007

Darren Millington, ACMA
Company Secretary
11 June 2007

Consolidated Cash Flow Statement

For the year ended 31 January 2007

Reconciliation of operating loss to net cash outflow from operating activities.

	2007 £	Restated 2006 £
Operating loss	**(4,361,079)**	(1,799,758)
FRS 20 charge for fair value of share options	**403,898**	66,626
Depreciation charge	**340,180**	127,520
Amortisation charge	**36,236**	7,767
Increase in debtors	**(171,071)**	(246,547)
Increase in stock	**(160,444)**	(27,000)
Increase in creditors	**706,566**	423,712
Net cash outflow from operating activities	**(3,205,714)**	(1,447,680)

	Notes	2007 £	2006 £
Net cash outflow from operating activities		**(3,205,714)**	(1,447,680)
Returns on investments and servicing of finance			
Interest received		**789,814**	507,652
Taxation			
R&D tax credit received		**167,519**	29,041
Capital expenditure			
Purchase of tangible fixed assets		**(1,648,152)**	(1,357,770)
Purchase of intangible fixed assets		**(70,626)**	(15,783)
		(1,718,778)	(1,373,553)
Acquisitions			
Acquisition of a business		**(255,131)**	–
Cash (outflow) before management of liquid resources and financing		**(4,222,290)**	(2,284,540)
Management of liquid resources			
(Increase) decrease in short term deposits		**(3,486,076)**	2,206,374
Financing			
Issue of ordinary share capital (net of expenses)		**9,970,944**	–
(Repayment) increase in debt during the year		**(92,876)**	756,604
		9,878,068	756,604
Increase in cash	22	**2,169,702**	678,438

The notes on pages 39 to 53 form part of these financial statements.

Notes to the Financial Statements

1. Principal accounting policies

A summary of the principal accounting policies is set out below:

Basis of preparation

The financial information has been prepared under the historic cost convention and in accordance with applicable United Kingdom accounting standards.

The accounting policies used in preparing the financial statements have been applied consistently throughout all periods presented with the exception of FRS 20 – "Share based payments". The Company has adopted FRS 20 for the first time for the year ending 31 January 2007 and therefore restated prior year results to reflect the historic impact of this charge. See "Prior year adjustment" below for further details.

Basis of consolidation

The consolidated accounts incorporate the financial statements of the Company and its subsidiary using the acquisition method of accounting.

No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985. The Company's loss for the year was £nil (2006: loss of £9,831).

Turnover

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 arrangement, having regard to the risks and rewards of the arrangement, and the existence of any performance or repayment obligations with any third party.

VASTox recognises turnover when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee is fixed and determinable and recoverability is assured. Amounts received are recognised immediately as turnover where there are no substantial risks, there are no ongoing obligations and amounts received are not refundable. Amounts are deferred over an appropriate period where these conditions are not met.

Intangible assets – Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred. In addition to direct costs, a proportion of facility costs and other overheads is allocated as R&D expenditure. This allocation is made to fairly reflect the level of resources engaged in the Group's R&D activities.

Intangible assets – Goodwill

Goodwill arising on the acquisition of a business represents the excess of any fair value over the identifiable net assets acquired with the business. Goodwill is recognised as an asset and written off over a 20 year period on a straight-line basis. In addition, goodwill is reviewed for impairment annually and whenever there is an indicator of impairment.

Intangible assets – Patents and trademarks

Intangible fixed assets are stated at historic cost less amortisation. Amortisation is calculated to write off the cost of intangible fixed assets in equal instalments over their estimated useful lives as follows:

Patents (once awarded)	10 years
Licences	Over the period of the licence agreement

Notes to the Financial Statements continued

1. Principal accounting policies continued

Intellectual property

Intellectual property consists of patents, trademarks and other similarly identifiable rights. Intellectual property acquired separately from a business is carried initially at cost and amortised on a straight-line basis over its estimated useful economic life from the time it is first available for use.

Depreciation

Tangible fixed assets are stated at historic cost less depreciation. Historic cost comprises the purchase price plus any incidental costs of acquisition and commissioning. Depreciation is calculated to write off the cost, less residual value, of tangible fixed assets in equal annual instalments over their estimated useful lives as follows:

Leasehold improvements	Over the period of the remaining lease
Computer equipment	3-5 years
Laboratory equipment	3-10 years
Fixtures and fittings	3-5 years

Stock

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred on completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the terms of the leases.

Government grants

Revenue based grants are credited to the profit and loss account so as to match them with expenditure towards which they are intended to contribute.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or the right to pay less, or to receive more tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

The Group operates a defined contribution scheme for its employees. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share-based payments

In accordance with FRS 20 – “Share based payment”, share options are measured at fair value at their grant date. The fair value is calculated using the Black-Scholes formula and charged to the income statement on a straight-line basis over the expected vesting period. At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. The share-based payment charge is recorded separately in the income statement.

1. Principal accounting policies continued

Prior year adjustment

All quoted UK companies are required to implement accounting standard FRS 20 – "Share based payment" for financial periods commencing on or after 1 January 2006. This standard affects all companies that issue share options and results in a non-cash charge to the profit and loss statement to reflect the fair value of issued share options. In common with the implementation of all accounting standards, prior year results must be restated as if the accounting standard had always been in force. In the year ended 31 January 2007 the charge due to the implementation of FRS 20 is £403,898, and 31 January 2006: £66,626. This restatement has had no impact on net assets.

The amount recognised in the consolidated statement of total recognised gains and losses reflect the total share based payment charge from implementing FRS 20 up to 31 January 2006.

The investments in the Company's balance sheet have been restated by the prior year adjustment of £73,826; this was due to the Company financing the share based payment charge.

2. Segmental and geographical analysis

The Group operates one primary revenue earning business, which is the provision of contracted chemical genomics research. The Group does not present a geographic analysis of turnover as the directors believe this commercial information would be seriously prejudicial for shareholders. At 31 January 2007 and 2006 all the net assets of the Group and Company were located in the United Kingdom.

3. Operating loss

Operating loss is stated after charging/(crediting):

	2007 £	2006 £
Operating leases – land and buildings	**337,381**	293,701
Depreciation charge	**340,180**	127,520
Amortisation charge	**36,236**	7,767
Grant income	**(80,357)**	–
Auditors' remuneration		
– for audit services	**25,000**	20,000
– for other services	**24,460**	23,435

Of the above auditors' remuneration, £5,000 (2006: £5,000) relates to VASTox Chemical Genomics Limited and £20,000 relates to VASTox plc (2006: £15,000).

The auditors' remuneration for non-audit services was related to taxation audit services £3,500 (2006: £4,700), taxation advice services £850 (2006: £1,000), interim review services £7,000 (2006: £4,135), share option advice £9,610 (2006: £13,600) other services £3,500 (2006: nil).

Notes to the Financial Statements continued

4. Employee numbers and staff costs

The average number of employees, including executive directors, during the year was:

	2007	2006
Technical, research and development	**37**	14
Administration and overheads	**11**	5
	48	19

The parent company had no employees in the current or previous financial years. At the end of the year the Group employed 73 staff.

Their aggregate remuneration comprised:

	2007 £	Restated 2006 £
Wages and salaries	**1,942,474**	833,973
Social security costs	**218,217**	96,929
Pension costs	**54,074**	17,649
Share based payment	**403,898**	66,626
	2,618,663	1,015,177

In respect of directors' remuneration, the Company has taken advantage of the permission in paragraph 1(6) of Schedule 6 to the Companies Act 1985 to omit aggregate information that is capable of being ascertained from the detailed disclosures in the audited section of the Remuneration Report on pages 31 and 32, which are ascribed as forming part of these financial statements.

The comparative year 2005/06 the directors received the following remuneration.

	£
Salary fees and benefits	276,825
Pension	1,604
	278,429

5. Taxation

The tax credit represents:

	2007 £	2006 £
Prior period adjustment	**16,802**	4,720
R&D tax credit in the period	**472,140**	150,717
	488,942	155,437

The tax assessed on the loss on ordinary activities for the period is lower than the standard rate of corporation tax in the United Kingdom of 19% (2006: 19%). The differences are explained as follows:

	2007 £	Restated 2006 £
Loss on ordinary activities before taxation	**(3,488,313)**	(1,216,890)
Tax thereon at 19%	**(662,779)**	(231,209)
Expenses not deductible for tax purposes	**89,974**	22,049
Movement in short-term timing differences	**3,289**	511
Increase in losses carried forward to future periods	**451,448**	322,192
Capital allowances in excess of depreciation	**(255,709)**	(232,860)
Difference in rate regarding R&D tax credits	**88,526**	28,259
Tax relief for qualifying R&D expenditure	**(186,889)**	(59,659)
Prior period adjustments	**(16,802)**	(4,720)
	(488,942)	(155,437)

Unrecognised deferred tax

The deferred tax liability in respect of accelerated capital allowances of £488,922 (2006: £232,606) has been offset against a deferred tax asset of the same amount in relation to trading losses carried forward.

There is an additional unprovided deferred tax asset of £279,566 (2006: £93,840) in relation to the trading losses carried forward because in the opinion of the directors, there is insufficient evidence that the asset will be recovered.

Notes to the Financial Statements continued

6. Loss per share calculation

	2007	Restated 2006
Attributable loss (£)	**2,999,371**	1,061,453
Weighted average number of shares in issue	**36,420,113**	31,313,111
Basic and diluted loss per share (pence)	**8.24**	3.39

The calculation of loss per share is based on the weighted average ordinary shares in issue during the period. Since the Group has reported a net loss, diluted loss per share is equal to basic loss per share.

The Company has 4,750,184 share options in issue that could potentially dilute basic earnings per share in the future. They have not been included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.

7. Intangible assets

Group	Patents and licences £	Goodwill £	Total £
Cost			
At 1 February 2006	40,783	–	40,783
Additions	270,758	115,130	385,888
At 31 January 2007	**311,541**	**115,130**	**426,671**
Amortisation			
At 1 February 2006	(12,767)	–	(12,767)
Provided during the year	(36,236)	–	(36,236)
At 31 January 2007	**(49,003)**	**–**	**(49,003)**
Net book value			
At 31 January 2007	**262,538**	**115,130**	**377,668**
At 31 January 2006	28,016	–	28,016

Goodwill arose on the acquisition on 13 December 2006 of the key assets of MNL Pharma Limited, an Aberystwyth-based drug discovery company that went into administration in October 2006. It is the view of the directors that the acquisition method of accounting is the most appropriate way to record the transaction. The consideration for the acquisition comprised an initial £240,000 (plus £15,131 of expenses). The directors believe that this is appropriately allocated as £55,000 for tangible fixed assets and £185,000 for intangible assets relating to the acquired drug discovery programme. Additionally, there is a deferred consideration of up to £1,000,000 dependent on successfully achieving various developmental and regulatory milestones. Of the deferred consideration, the Group has recognised a £100,000 provision in expectation that the first milestones will be met in the 2007/08 financial year. See Note 21 for further details.

8. Tangible fixed assets

Group	Leasehold improvements £	Laboratory equipment £	Office and IT equipment £	Total £
Cost				
At 1 February 2006	828,849	494,103	66,100	1,389,052
Additions	927,331	712,062	63,759	1,703,152
At 31 January 2007	**1,756,180**	**1,206,165**	**129,859**	**3,092,204**
Depreciation				
At 1 February 2006	(73,247)	(40,680)	(14,043)	(127,970)
Charge for the year	(152,994)	(156,023)	(31,163)	(340,180)
At 31 January 2007	**(226,241)**	**(196,703)**	**(45,206)**	**(468,150)**
Net book value				
At 1 February 2006	755,602	453,423	52,057	1,261,082
At 31 January 2007	**1,529,939**	**1,009,462**	**84,653**	**2,624,054**

The Company had no tangible fixed assets.

9. Investments

	£
Company	
Cost and net book value at 1 February 2006	2,020,198
Prior year adjustment – note 1	73,826
Cost and net book value at 1 February 2006 – restated	2,094,024
Additions	403,898
Cost and net book value at 31 January 2007	2,497,922

The charge for the share based payment was financed by the Company.

Notes to the Financial Statements continued

10. Stock

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Stock – raw materials	187,444	27,000	–	–

11. Debtors

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Trade debtors	282,628	128,839	–	–
Amounts owed by Group undertakings	–	–	24,194,798	14,225,887
Corporation tax recoverable	472,140	150,717	–	–
Other debtors	243,316	71,332	2,033	–
Prepayments and accrued income	118,662	190,412	–	–
	1,116,746	541,300	24,196,831	14,225,887

Amounts owed to the Company by Group undertakings are due after more than one year.

12. Short-term deposits and investments

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Short-term deposits with bank	15,079,702	11,593,626	–	–

13. Creditors: Amounts falling due within one year

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Loans	66,373	65,792	–	–
Trade creditors	1,150,640	488,423	–	–
Social security and other taxes	79,371	32,327	–	–
Accruals and deferred income	130,727	118,291	–	–
	1,427,111	704,833	–	–

14. Creditors: Amounts falling due after more than one year

	Group		Company	
	2007 £	2006 £	**2007 £**	2006 £
Loans	**597,355**	690,812	**–**	–

The Group has a loan commitment with MEPC Limited, the landlord for the Group's offices and laboratories. The loan attracts no interest and is repayable over the term of the Group's lease, as follows:

	Group		Company	
	2007 £	2006 £	**2007 £**	2006 £
Debt due within one year	**66,373**	65,792	**–**	–
Debt due in first to second years inclusive	**66,373**	65,792		
Debt due in second to fifth years inclusive	**199,118**	197,375	**–**	–
Debt due after five years	**331,864**	427,645	**–**	–
	663,728	756,604	**–**	–

15. Provision for liabilities and charges

	£
At 1 February 2006	–
Additions	100,000
At 31 January 2007	100,000

The provision for liabilities refers to potential payments that may fall due following the acquisition of the assets of MNL Pharma Limited. The Group is due to make payments dependent on achieving clinical development milestones (note 21 provides detailed information on the potential liabilities). The directors are of the opinion that it is the best estimate of that which will be paid for the above charge based on their assessment of the likely progress of the compound VOX 14400.

16. Share capital

	2007 £	2006 £
Authorised		
Ordinary shares of 10p each	**6,000,000**	5,000,000
Allotted, called up and fully paid		
37,217,070 ordinary shares of 10p each	**3,721,707**	3,131,311

The authorised share capital was increased to £6,000,000 following an Extraordinary General Meeting held on 22 March 2006.

Share capital increased in the period from 31,313,111 to 37,217,070 due to the placing of 5,903,959 ordinary 10p shares on 27 February 2006 (2005/06: nil). The shares rank pari passu with existing shares. The equity placing raised gross proceeds of £10.45 million (£9.97 million net of expenses).

Notes to the Financial Statements continued

17. Share option scheme

At 31 January 2007 the outstanding share options, which include the share options granted to directors, are as shown below:

Date of grant	Exercise price (p)	Number of shares	Date from which exercisable	Expiry date
Approved EMI scheme				
30 Sep 04	135.0	88,884	30 Sep 05	30 Sep 14
17 Jul 05	169.5	98,997	17 Jul 06	17 Jul 15
2 Dec 05	171.5	487,011	2 Dec 06	2 Dec 15
22 May 06	167.0	59,880	22 May 07	22 May 16
18 Aug 06	141.0	70,921	18 Aug 07	18 Aug 16
13 Oct 06	136.0	171,300	13 Oct 07	13 Oct 16
28 Nov 06	136.0	10,000	28 Nov 07	28 Nov 16
Unapproved scheme				
2 Sep 04	0.5	2,020,000	2 Sep 04	2 Sep 14
17 Jul 05	169.5	1,003	17 Jul 06	17 Jul 15
2 Dec 05	171.5	587,989	2 Dec 06	2 Dec 15
22 May 06	165.0	540,120	22 May 07	22 May 16
18 Aug 06	141.0	229,079	18 Aug 07	18 Aug 16
13 Oct 06	136.0	135,000	13 Oct 07	13 Oct 16
2 Nov 06	135.0	250,000	2 Nov 07	2 Nov 16
		4,750,184		

The Group has no legal or constructive obligation to repurchase or settle the options in cash. The movement in the number of share options is set out below:

	2007	2006
Outstanding at 1 February	**3,283,884**	2,109,084
Granted during the year	**1,466,300**	1,174,800
Lapsed during the year	**–**	–
Exercised during the year	**–**	–
Number of outstanding options at 31 January	**4,750,184**	3,283,884

As at 31 January 2007, 2,567,217 share options were capable of being exercised (2006: 76,857). The options outstanding at 31 January 2007 had a weighted average exercise price of 91p (2006: 65p), and a weighted-average remaining contractual life of 8.5 years (2006: 9.0 years).

17. Share option scheme continued

Share-based payments

The Group operates a number of share-based incentive schemes as detailed above. The fair value per award granted and the assumptions used in the calculations are as follows:

Date of grant	Type of award	Number of shares	Exercise price (p)	Share price at grant date (p)	Fair value per option (p)	Award life (years)	Risk free rate
2 Sep 04	Unapproved	2,020,000	0.5	0.5	–	2.1	4.9%
30 Sep 04	EMI	88,884	135.0	135.0	36	2.1	4.8%
17 Jul 05	EMI	98,997	169.5	169.5	43	3.0	4.2%
17 Jul 05	Unapproved	1,003	169.5	169.5	43	3.0	4.2%
2 Dec 05	EMI	487,011	171.5	168.5	41	3.0	4.2%
2 Dec 05	Unapproved	587,989	171.5	168.5	41	3.0	4.2%
22 May 06	EMI	59,880	167.0	167.0	44	3.0	4.2%
22 May 06	Unapproved	540,120	165.0	167.0	45	3.0	4.6%
18 Aug 06	EMI	70,921	141.0	135.3	33	3.0	4.6%
18 Aug 06	Unapproved	229,079	141.0	135.5	33	3.0	4.6%
13 Oct 06	EMI	171,300	136.0	136.0	36	3.0	4.6%
13 Oct 06	Unapproved	135,000	136.0	136.0	36	3.0	4.6%
2 Nov 06	Unapproved	250,000	135.0	135.0	35	3.0	4.6%
28 Nov 06	EMI	10,000	136.0	136.0	36	3.0	4.5%
		4,750,184					

The key assumptions used in calculating the share-based payments are as follows:

a. Black-Scholes valuation methodology was used.
b. A figure of 18% has been used for expected volatility. This has been derived from historic share price performance, weighted to exclude periods of unusually high volatility.
c. Expected dividend yield is nil, consistent with the directors' view that the Group's model is to generate value through capital growth rather than the payment of dividends.
d. The risk free rate is equal to the prevailing UK Gilts rate at grant date that most closely matches the expected term of the grant.
e. The fair value charge is spread evenly over the expected vesting period.

Notes to the Financial Statements continued

18. Reserves

	Share premium account £	Share capital £	Merger reserve £	Share based payment £	Profit and loss account £
Group					
At 1 February 2006	12,946,848	3,131,311	(1,942,589)	–	(1,040,501)
Prior year adjustment – note 1				73,826	(73,826)
At 1 February 2006 restated	12,946,848	3,131,311	(1,942,589)	73,826	(1,114,327)
New share capital issued	9,380,548	590,396	–	–	–
Share based payment				403,898	–
Loss for the year	–	–	–	–	(2,999,371)
At 31 January 2007	**22,327,396**	**3,721,707**	**(1,942,589)**	**477,724**	**(4,113,698)**
Company					
At 1 February 2006	12,946,848	3,131,311	–	–	167,926
Prior year adjustment	–	–	–	73,826	–
At 1 February 2006 restated	12,946,848	3,131,311	–	73,826	167,926
New share capital issued	9,380,548	590,396	–	–	–
Share based payment	–	–	–	403,898	–
At 31 January 2007	**22,327,396**	**3,721,707**	**–**	**477,724**	**167,926**

19. Reconciliation of movement in shareholders' funds

	2007 £	Restated 2006 £
Group		
Opening shareholders' funds	**13,095,069**	14,089,896
Shares issued during the year	**590,396**	–
Share premium on issued shares (net of expenses)	**9,380,548**	–
Loss for the financial year	**(2,999,371)**	(1,061,453)
Share based payment	**403,898**	66,626
Closing shareholders' funds	**20,470,540**	13,095,069
Company		
Opening shareholders' funds as previously stated	**16,246,085**	16,255,916
Prior year adjustment – note 1	**73,826**	7,200
Opening shareholders funds – restated	**16,319,911**	16,263,116
Shares issued during the year	**590,396**	–
Share premium on issued shares (net of expenses)	**9,380,548**	–
Share based payment	**403,898**	66,626
Loss for the financial year	**–**	(9,831)
Closing shareholders' funds	**26,694,753**	16,319,911

20. Subsidiaries

Company name	Country of incorporation	Percentage shareholding	Description
VASTox Chemical Genomics Limited	Great Britain	100%	1,000 £1 ordinary shares
VASTox Discovery 1 Limited	Great Britain	100%	1,000 £1 ordinary shares

The principal activity of VASTox Chemical Genomics Limited is the provision of chemical genomics services and proprietary drug discovery. VASTox Discovery 1 Limited is a dormant company.

21. Commitments

The Group's annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
Leases which expire	**2007 £**	2006 £
Within one year	**–**	–
After five years	**334,000**	334,000
	334,000	334,000

The Company has no annual commitments under non-cancellable operating leases.

The Group and Company had no capital commitments at 31 January 2007 or 31 January 2006.

Other commitments

On 13 December 2006, VASTox Chemical Genomics ("VCG") acquired the assets of MNL Pharma Limited ("MNL"), a company that entered into administration in October 2006. VCG acquired all rights to MNL's lead drug candidate (previously known as MNLP462a and now known as VOX14400), a library of iminosugars and all assets held at MNL's Aberystwyth facility. Under the terms of the agreement, VCG is committed to make MNL's former shareholder payments contingent on achieving clinical milestones for VOX14400, or a back-up candidate emerging from the iminosugar library. VCG is obliged to make the following payments:

- £50,000 upon IND ("Investigational New Drug") approval (or equivalent),
- £100,000 upon successful completion of a Phase I trial.
- £200,000 upon successful completion of a Phase IIa trial (or equivalent).
- £250,000 upon successful completion of a Phase IIIa trial (or equivalent).
- £400,000 upon regulatory approval in the US, EU or Japan.
- Royalties of 1.5% on net sales.

Of the above payments, £100,000 has been provided for (see note 15).

Notes to the Financial Statements continued

22. Analysis and reconciliation of movement in net funds

	1 February 2006 £	Cash flows movements £	Non-cash £	31 January 2007 £
Cash at bank	1,039,690	2,169,702	–	**3,209,392**
Liquid resources	11,593,626	3,486,076	–	**15,079,702**
Debt due within 1 year	(65,792)	63,050	(63,631)	**(66,373)**
Debt due after 1 year	(690,812)	29,826	63,631	**(597,355)**
Net funds	11,876,712	5,748,654	–	**17,625,366**

	2007 £	2006 £
Increase in cash in the period	**2,169,702**	678,438
Increase (decrease) in liquid resources	**3,486,076**	(2,206,374)
Cash outflow (inflow) from loan finance	**92,876**	(756,604)
Change in net funds resulting from cash flows	**5,748,654**	(2,284,540)
Net funds at beginning of period	**11,876,712**	14,161,252
Net funds at end of period	**17,625,366**	11,876,712

Liquid resources relate to bank deposits which are not immediately accessible within 24 hours without financial penalty.

23. Financial instruments

The Group's principal financial instrument comprises cash, and this is used to finance the Group's operations. The Group has various other financial instruments such as trade creditors that arise directly from its operations.

The Group has a policy, which has been consistently followed, of not trading in financial instruments.

The main risk arising from the Group's financial instruments is interest rate risk. VASTox holds no derivative instruments to manage interest rate risk; instead the Group places deposits surplus to short-term working capital requirements with a range of reputable UK-based banks and building societies. These balances are placed at fixed rates of deposit with maturities between one month and six months.

The Group's cash and short-term deposits were as follows:

	2007 £	2006 £
On dated deposit – fixed rate	**15,079,702**	11,593,626
On short-term deposit – floating rate	**107,312**	1,009,338
On current account	**3,102,080**	30,352
	18,289,094	12,633,316

The interest rates for dated deposits are dependent on the rates offered by the Group's borrowers. The interest rate for short-term deposits is variable dependent on the rates offered by the Group's bankers. During the year to 31 January 2007, the dated deposit facility returned an average rate after fees of 5.1% (2005/06: 4.2%). Dated deposits are held on deposit for periods between one month and six months. The short-term deposit facility returned an average rate after fees of 8.8% (2005/06: 6.4%).

24. Related parties

David Norwood, Non-executive Director, is also a director of IP2IPO Limited which holds 4,040,400 shares of VASTox plc.

25. Post balance sheet events

On 22 March 2007 VASTox plc announced the acquisition of DanioLabs Limited and Dextra Laboratories Limited.

DanioLabs Limited ("DanioLabs")

VASTox acquired 100% of the share capital of DanioLabs Limited for £15.0 million payable through the issue of 11,732,361 new 10p ordinary shares, cash of £159,000 and a deferred issue of 1,173,233 new 10p ordinary shares payable in March 2008.

Dextra Laboratories Limited ("Dextra")

VASTox acquired 100% of the share capital of Dextra for £1.5 million payable through the issue of 1,185,771 new ordinary 10p shares.

On 19 February 2007 the Group formed a wholly-owned subsidiary, VASTox (Wales) Limited, company number 6116827.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of VASTox plc (the "Company") will be held at the offices of Huntsworth plc, 8th Floor, 26 Finsbury Square, London, EC2A 1SF on 19 July at 9.30 a.m. for the purpose of considering, and if thought fit, passing the following resolutions of which resolutions 1 to 11 (inclusive) will be proposed as ordinary resolutions and resolutions 12 and 13 will be proposed as special resolutions:

Resolution 1 That the accounts for the year ended 31 January 2007 together with the report of the directors and auditors thereon be received and considered.

Resolution 2 That BDO Stoy Hayward LLP be re-appointed as auditors of the Company to hold office until the conclusion of the next general meeting of the Company before which statutory accounts are laid and that their remuneration be fixed by the directors of the Company from time to time (the "Directors").

Resolution 3 That Sir Brian Richards, aged 74, who is retiring in accordance with article 86.1 of the Company's articles of association, be elected as a director of the Company.

Resolution 4 That James Taylor, who was appointed as a director on 12 July 2006 and is retiring in accordance with article 83.1 of the Company's articles of association be re-elected as a director of the Company.

Resolution 5 That Barry Price, who was appointed as a director on 26 September 2006 and is retiring in accordance with article 83.1 of the Company's articles of association be re-elected as a director of the Company.

Resolution 6 That Colin Wall, who was appointed as a director on 26 September 2006 and is retiring in accordance with article 83.1 of the Company's articles of association be re-elected as a director of the Company.

Resolution 7 That Andrew Richards, who was appointed as a director on 22 March 2007 and is retiring in accordance with article 83.1 of the Company's articles of association be re-elected as a director of the Company.

Resolution 8 That George Elliott, who was appointed as a director on 19 April 2007 and is retiring in accordance with article 83.1 of the Company's articles of association be re-elected as a director of the Company.

Resolution 9 That Stephen Davies, who is retiring by rotation in accordance with article 89 of the Company's articles of association be re-elected as a director of the Company.

Resolution 10 That David Norwood, who is retiring by rotation in accordance with article 89 of the Company's articles of association be re-elected as a director of the Company.

Resolution 11 That the Directors be and are hereby generally and unconditionally authorised (in substitution for any existing such power or authority) for the purposes of section 80 of the Companies Act 1985 (as amended) (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of £1,000,000 (being approximately the authorised but unissued share capital of the Company as at 29 May 2007) provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) on the later of 15 months following the passing of this resolution and the conclusion of the Annual General Meeting of the Company held in 2008 (the "Section 80 Period") save that the Company may, prior to the expiry of the Section 80 Period, make an offer or agreement which would or might require relevant securities to be allotted after the Section 80 Period and the Directors may allot relevant securities in pursuance of such offer or agreement as if this authority had not expired.

Resolution 12 That, subject to and conditional upon the passing of resolution 11 above, the Directors be and are hereby empowered pursuant to section 95(1) of the Act (in substitution for any existing such power or authority) to allot equity securities (within the meaning of section 94(2) of the Act) as if the pre-emption provisions in section 89(1) of the Act and any pre-emption rights contained within the Company's articles of association did not apply to such allotments (the "Section 95 Empowerment") provided that the Section 95 Empowerment be limited to the following allotments of equity securities as follows:

(i) the allotment of equity securities up to a maximum nominal amount of £500,000 (being approximately 10% of the Company's current issued share capital) pursuant to the grant and exercise of options to subscribe for equity securities in the Company; and

(ii) otherwise than in pursuant to (i) above, the allotment of equity securities in connection with an offer of such securities by way of rights to holders of relevant equity securities where the equity securities respectively attributed to the holders of all equity securities are in proportion (as nearly as may be) to their respective holdings of such equity securities, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with equity securities which represent fractional entitlements or

on account of any legal or practical problems under the laws of any territory, or the requirements of any regulatory body, stock exchange or other authority in any jurisdiction; and

(iii) otherwise than pursuant to the foregoing paragraphs up to an aggregate nominal amount of £500,000 (being approximately 10% of the Company's current issued nominal share capital);

provided that the Section 95 Empowerment shall expire (unless previously renewed, varied or revoked by the Company in general meeting) on the date the later of 15 months following the passing of this resolution and the conclusion of the Annual General Meeting of the Company in 2008 (the "Section 95 Period") but so that the Company may at any time prior to the expiry of the Section 95 Period make an offer or agreement which would or might require equity securities to be allotted pursuant to these authorities after the expiry of the Section 95 Period and the Directors may allot equity securities in pursuance of such offer or agreement as if the authorities hereby conferred had not expired.

Resolution 13 That the Company name be and it is hereby changed to "Summit Corporation plc".

The Board unanimously recommends shareholders to vote in favour of the above Resolutions.

By order of the Board

Darren Millington, ACMA
Company Secretary
11 June 2007

Notes to Members

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.
2. If you wish to appoint a proxy other than the Chairman of the meeting, cross out the words "the Chairman of the meeting" on the Proxy Form and write the full name and address of your proxy on the dotted line. The change should be initialled.
3. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he/she thinks fit on the specified resolutions and, unless otherwise instructed, may also vote or abstain from voting on any other matter (including amendments to resolutions) which may properly come before the meeting.
4. To be effective, the enclosed Proxy Form must be duly completed and deposited together with any power of attorney or other authority (if any) under which it is executed (or notarially certified or authorised copy of such power or authority) and lodged at the offices of the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time fixed for the meeting.
5. Completion and return of the Proxy Form will not preclude a shareholder from attending and voting in person at the Meeting.
6. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered on the register of members of the Company at close of business on 17 July 2007 shall be entitled to attend and vote at the meeting or, if the meeting is adjourned, close of business on such date being not more than two days prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after such time shall be disregarded in determining the right of any person to attend or vote at the meeting.

Company Information

Directors	B Price, PhD	Non-executive Chairman
	S Lee, PhD	Chief Executive Officer
	R Storer, DPhil	Chief Scientific Officer
	D Millington, ACMA	Chief Financial Officer
	J Taylor	Chief Commercial Officer
	Professor S Davies	Non-executive Director
	D Norwood	Non-executive Director
	Sir B Richards	Non-executive Director
	C Wall, PhD	Non-executive Director
	A Richards, PhD	Non-executive Director
	G Elliott, CA	Non-executive Director
Company Secretary	D Millington, ACMA	
Registered office	91 Milton Park Abingdon Oxfordshire OX14 4RY	
Registered number	05197494 England and Wales	
Nominated advisers and brokers	Evolution Securities Limited 100 Wood Street London EC2V 7AN	
Public relations	Citigate Dewe Rogerson 3 London Wall Buildings London Wall London EC2M 5SY	
Auditors	BDO Stoy Hayward LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL	
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham BR3 4TU	

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