VASTox plc
Annual Report and Accounts
For the year ended 31 January 2006

Highlights

Operational Highlights

- Lead series of compounds selected that demonstrate *in vivo* efficacy in Duchenne muscular dystrophy (DMD) models
- Two new drug discovery programmes initiated in spinal muscular atrophy and osteoarthritis
- Continued and increasing demand for chemical genomics services
- Relocation of all staff to state-of-the-art facility in Milton Park, Oxfordshire

Financial Highlights

- Revenues up from £113,000 to £531,000 for the full year
- R&D investment up from £267,000 to £1.0 million for the full year
- Cash and short term deposits of £12.6 million (prior year: £14.2 million)

People

- Sir Brian Richards CBE appointed as Non-executive Director
- Richard Storer, DPhil FRSC appointed as Chief Scientific Officer on 26 April 2006
- Darren Millington, ACMA appointed as Chief Financial Officer on 9 May 2006

Post Year-end Events

- £10.5 million (gross) raised in secondary placing to accelerate DMD programme
- Started fifth drug discovery programme in cancer

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Chairman's Statement

> "Our first full year as a public company has seen VASTox make great strides in all areas of the business."

Review

Our first full year as a public company has seen VASTox make great strides in all areas of the business. Our chemical genomics services business is growing rapidly and we are finding increasing industry acceptance of the use of zebrafish and fruitflies in early drug discovery. Our proprietary drug research programmes are also progressing well.

In January 2006 we announced a breakthrough in our lead programme for Duchenne Muscular Dystrophy (DMD). This devastating genetic disease affects over 30,000 patients in the developed world and is generally fatal by the age of 30. We announced that VASTox had identified a series of small molecules that cause the production of increased amounts of utrophin in a validated *in vivo* model for DMD. Utrophin is a naturally-produced protein that can compensate for a lack of dystrophin and has been the focus of co-founder Professor Kay Davies' academic research for over 15 years. VASTox has brought commercial skills and resources to accelerate this programme, focusing on those steps that bring us closer to finding an effective drug; *in vivo* proof of principle of utrophin up-regulation is an important first step. The significance of our result is that this is the first time up-regulation of utrophin has been shown using drug-like compounds. These compounds offer the most promising starting points to create a safe and efficacious medicine. VASTox retains all relevant intellectual property, including patents and exclusive licences.

In February 2006, VASTox announced a successful secondary placing of shares. The Company raised £10 million net of expenses and has pledged to use this capital to accelerate our DMD programme. We are committed to begin Phase I clinical trials as soon as possible.

Chemical genomics

Our services business continues to expand well, and I am delighted to see VASTox develop the chemical genomics platform for customers and our own programmes. When I founded the Company in 2003, I recognised that effective drug discovery will always require a rigorous understanding of both the biology and chemistry of living systems. My belief that chemical genomics is the most promising bridge between these two disciplines is now being realised. VASTox is now demonstrating the value of this approach in using zebrafish and fruitflies to predict, with a high level of accuracy, the potential efficacy and side effects of drugs in people. We and our customers recognise that getting safer drugs to market faster makes both commercial and ethical sense. Our chemical genomics platform will help achieve this.

Board and employees

The Company made two Board changes during the year as we reviewed the skills necessary to lead a dynamic and fast-growing company. Sir Brian Richards was appointed as Non-executive Director on 7 October 2005 and brings to VASTox a distinguished track record in the life sciences industry. Dr Andrew Mulvaney stepped down as Operations Director on 7 October 2005 to focus full-time on business development. On behalf of the Board I would like to thank Andy for his valuable contribution to VASTox to date.

After the year-end we announced two further appointments to the Board; Richard Storer DPhil FRSC as Chief Scientific Officer and Darren Millington ACMA as Chief Financial Officer. Richard will bring to the Company vast experience in drug discovery and a track record of developing successful drugs. Darren has made a significant contribution to the Company's growth to date and will now add his financial expertise to the Board. I would like to warmly welcome both to the Board.

The success of any company relies on the quality of its employees, and VASTox is no exception. On behalf of the Board, I thank our staff for their hard work and dedication over the past year. We have achieved a great deal since our flotation in October 2004. I believe our shareholders can have confidence that we are building a team of scientists and managers that will create both significant value for investors and effective treatments for patients.

Professor Stephen Davies
Chairman

9 May 2006

Chief Executive Officer's Review

"Since our listing on AIM in October 2004 we have been focused on achieving rapid progress in our chemical genomics services business and our in-house drug discovery programmes."

Introduction
Since our listing on AIM in October 2004 we have been focused on achieving rapid progress in our chemical genomics services business and our in-house drug discovery programmes.

Our financial and operational results to date prove that we are delivering on our targets to both grow profitable revenues and make breakthroughs in our drug programmes.

Drug programmes
VASTox currently runs in-house drug discovery programmes in Duchenne Muscular Dystrophy (DMD), Spinal Muscular Atrophy (SMA), multi-drug resistant infection and osteoarthritis.

We began our SMA and osteoarthritis programmes in the year after rigorous assessment of both the commercial opportunities and the ability of our chemical genomics platform to add value.

The Company's strategy is to distinguish our drug discovery programmes as either "niche" or "large patient population" diseases. DMD and SMA are both niche diseases each affecting 30,000 and 50,000 patients respectively. This relatively small population size makes them unattractive research areas for large pharmaceutical companies but allows smaller drug discovery and development companies such as VASTox the opportunity to aggressively develop a treatment where there is currently no effective therapy. We will work towards orphan drug designation for these programmes, giving the Company regulatory and financial incentives to develop a marketable drug. Following the Company's successful secondary placing announced in February 2006, we now have the resources to progress our DMD programme to Phase II trials.

We look to generate income from our "large patient population" programmes at an earlier stage of development. Our programmes in multi-drug resistant infection and osteoarthritis will be of interest to large pharma and we would look to out-license these therapies as we produce promising chemical leads.

Chemical genomics services
Our services business generated revenues of £531,361 (2005: £112,718) during the period. VASTox has worked with nine customers during the financial year and our sales pipeline for the 2006/07 financial year is already looking healthy.

As we increase our sales and marketing efforts, we find a wider acceptance of the chemical genomics concept and, in particular, the value of using zebrafish and fruitflies in early drug discovery. Recent high-profile withdrawals of marketed drugs show that the current drug development protocols are not giving patients or the industry the best chance of developing safe and effective drugs. Our chemical genomics platform is one answer to help address this industry-wide problem. Using zebrafish and fruitfly models at the earliest stages of drug discovery allows customers to discard toxic drug candidates promptly and focus energies on their safest compounds. Not only does this approach make economic sense for the drug industry, it also helps the industry in its aim to implement the "3 Rs" in pharmaceutical research; that is, to *Reduce*, *Refine* and *Replace* the use of higher animals in drug research.

During the coming financial year we look to increase both the level of revenues and the range of customers we work with.

Outlook
VASTox is now maturing into an exciting drug discovery and development company that offers the prospect of rapidly developing successful drugs for currently incurable diseases, whilst remaining disciplined in its use of capital. I believe that VASTox now has the facilities, the people and the investors to bring significant rewards for both patients and the Company's stakeholders.

Steven Lee, PhD
Chief Executive Officer

9 May 2006

Directors’ Report

For the year ended 31 January 2006

The directors present their report to the shareholders, together with the audited financial statements, for the year ended 31 January 2006.

Principal activities
The VASTox Group comprises VASTox plc and a wholly owned subsidiary company, VASTox Chemical Genomics Limited. The principal activity of the Group is the provision of chemical genomics services and proprietary drug discovery.

Results and dividends
The consolidated profit and loss account for the year is set out on page 12. The Group’s loss for the financial year after taxation was £994,827 (2005 restated: loss of £45,674).

The directors do not recommend the payment of a dividend.

Directors
The directors who served during the period were:

Executive
Steven Lee, PhD – Chief Executive Officer
Andrew Mulvaney, PhD – Chief Operations Officer (resigned 7 October 2005)

Non-executive
Professor Stephen Davies – Chairman
John Montgomery, FCA
David Norwood
Sir Brian Richards (appointed 7 October 2005)

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

Biographical details of the directors are available on the Company’s website, vastox.com.

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

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 2006, the number of creditor days outstanding for the Group was 32 days (2005: 34 days). The Company had no trade creditors at 31 January 2006 or 31 January 2005.

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 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.

Substantial shareholdings
On 10 April 2006 the Company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following holdings of more than 3% or more of the issued share capital of the Company.

	Number of shares held	%
Professor S Davies	6,208,748	16.7%
Morstan Nominiees Limited	4,265,000	11.5%
IP2IPO Limited	4,040,400	10.9%
Professor K Davies	3,838,380	10.3%
Chase Nominees Limited	1,901,548	5.1%

Directors' Report (continued)

For the year ended 31 January 2006

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 9am on 8 June 2006 at the Company's registered office, 91 Milton Park, Abingdon, Oxon, OX14 4RY.

Post balance sheet events
On 27 February 2006 the Company announced that it raised £10.45 million via a placing of 5,903,955 shares at 177p per share. These additional funds were raised to support the development of the Company's Duchenne Muscular Dystrophy programme.

On 9 February 2006 the Group formed a wholly-owned subsidiary, VASTox Discovery 1 Limited, company number 5635997. This company will become the vehicle to develop the Group's spinal muscular atrophy programme.

On 26 April 2006 the Group announced the recruitment of Richard Storer, PhD, FRSC, as a director and Chief Scientific Offficer for the Group.

On 9 May 2006 the Group announced the appointment of Darren Millington, ACMA, as a director and Chief Financial Officer for the Group.

Auditors
BDO Stoy Hayward LLP were appointed as auditors during the year and have expressed their willingness to continue in office as auditors. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Darren Millington, ACMA
Company Secretary

9 May 2006

Corporate Governance Report

For the year ended 31 January 2006

The Combined Code
AIM listed companies are not required to comply with the disclosure requirements of the Combined Code on corporate governance. However, the Board supports the principles of good corporate governance and follows the Combined Code when its recommendations are appropriate for a group the size of VASTox. 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 comprised one executive director and four non-executive directors at 31 January 2006.

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 four non-executive directors, two are considered by the Board to be independent (Brian Richards and David Norwood). The Board considers that all of the non-executive directors are of sufficient competence and calibre to add strength and objectivity to the Board.

There were ten Board meetings during the financial year. David Norwood was not present for two meetings during the year and Brian Richards was not present for one of the three meetings held during his tenure.

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 and David Norwood, who is Chairman. The Chief Executive Officer and Head of Finance 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. During the year there have been two Audit Committee meetings, attended by all Audit Committee members.

Remuneration Committee
The Remuneration Committee comprises all directors and is chaired by Stephen Davies. The Chief Executive Officer does not attend the meeting when his remuneration is being discussed. The Remuneration Committee is responsible for reporting to the Board on the performance of the executive directors and the appropriate level of remuneration. The Remuneration Committee recommends service contracts and remuneration levels based on advice of specialist independent consultants.

During the year, there have been five Remuneration Committee meetings. All meetings were attended by the whole Remuneration Committee, with the exception of one meeting where David Norwood was unable to attend. Brian Richards attended the one meeting held during his tenure.

The directors' remuneration report is presented on pages 7 to 9.

Nomination Committee
The Nomination Committee comprises all Board members and is chaired by Stephen Davies. 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.

Corporate Governance Report (continued)

For the year ended 31 January 2006

Nomination Committee (continued)
During the year, there have been two Nomination Committee meetings. Both meetings were attended by all Nomination Committee members, with the exception of one meeting where David Norwood was unable to attend. Brian Richards attended the one meeting held during his tenure.

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.

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 senior management team.

Management of liquid resources
The Board does not engage in speculative investments. All surplus cash is invested with a range of reputable borrowers on a range of one to six month maturities to balance the working capital needs of the business with the most attractive interest rates. The Group's treasury policy is reviewed annually.

Internal audit
The Board considers an internal audit function to be inappropriate for a Group the size of VASTox. The Audit Committee will review this position annually with a view to establishing such a function when the Group is of appropriate size and complexity.

Implementation of IFRS
All AIM-quoted companies are required to report financial results under International Financial Reporting Standards (IFRS) for accounting periods commencing on or after 1 January 2007. Management has considered the impact of IFRS on the Group's results and will be reporting its first accounts under IFRS for the financial year ending 31 January 2008 and the interim statements for the half year ending 31 July 2007.

Management believe that the adoption of IFRS will not lead to materially different results. Management is reviewing the impact of the new accounting standards and will provide quantitative guidance on the impact of adopting IFRS in the Annual Report for the year ending 31 January 2007.

Relations with shareholders
The Board recognises the importance of effective and constructive dialogue with the Company's owners. The Group communicates to investors through its interim and annual results and also press releases issued via the London Stock Exchange. The Company's website, vastox.com, is regularly updated and includes all recent press releases.

The Board 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 management in more detail.

Remuneration Report

For the year ended 31 January 2006

Unaudited information
As an AIM-listed company, VASTox is not obliged to comply with the provisions of the Remuneration Report Regulations 2002. However, as part of the Board's commitment to good governance the Company has prepared this Remuneration Report in line with that required by fully listed companies.

Remuneration policy
The Remuneration Committee set directors' remuneration and remuneration policies for all staff. Remuneration levels are set to attract, retain and motivate high calibre individuals.

Remuneration package for executive directors
The individual components of the remuneration package offered to executive directors are as follows:

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 recommendations provided by independent remuneration consultants.

Bonuses
Bonuses are offered to directors and staff in recognition of outstanding personal performance. The timing and amount of bonuses is decided by the Remuneration Committee with reference to rewards offered in similar organisations.

Pension and other benefits
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.

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.

Share options
The Company believes that share options are an appropriate mechanism for incentivising staff and allowing valuable employees to share in the success of the Company.

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.

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. The option awards generally vest in three equal portions on the first, second and third anniversaries after grant.

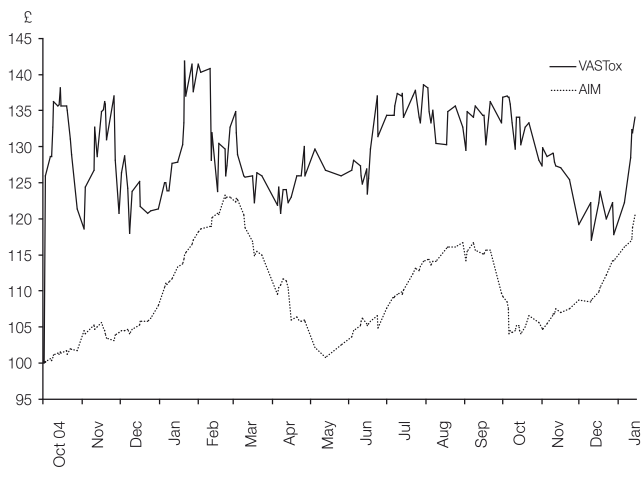
Executive directors' service contracts and remuneration
The Company's policy in entering into service contracts with executive directors is to offer a contract that enables the recruitment and retention of high calibre leaders and to protect the Company against sudden departure, particularly to competitor 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 service contract with Steven Lee was signed on 1 September 2004.

Remuneration policy for non-executive directors
The remuneration of the non-executive directors is determined by the Board as a whole, based on a review of current packages offered by similar companies. 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.

Three non-executives, Stephen Davies, John Montgomery and David Norwood, waived their fees for the year ended 31 January 2006.

Performance graph
The graph below shows a comparison between the Company's total shareholder return performance compared with the companies in the AIM segment of the London Stock Exchange. The graph covers the period from the Company's admission to AIM on 14 October 2004 to 31 January 2006 and shows the relative value of £100 invested in VASTox and the AIM index from this date. The directors have selected the FTSE AIM index as a comparison as it contains a number of companies operating in VASTox's sector.

The market price of the Company's shares at 31 January 2006 was 181 pence. During the year from 1 February 2005, the market price of the Company's shares has ranged from 158p to 192p.



Remuneration Report (continued)

For the year ended 31 January 2006

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:

	Salary and fees £	Taxable benefits £	Bonus £	Relocation allowance £	Pension contributions £	**Total 2006 £**	Total 2005 £
Executive							
Steven Lee	131,250	376	70,000	30,000	–	**231,626**	41,667
Andrew Mulvaney(1)	36,667	199	–	–	1,604	**38,470**	29,729
Non-executive							
Stephen Davies	–	–	–	–	–	**–**	–
John Montgomery	–	–	–	–	–	**–**	–
David Norwood	–	–	–	–	–	**–**	–
Brian Richards(2)	8,333	–	–	–	–	**8,333**	–
	176,250	575	70,000	30,000	1,604	**278,429**	71,396

(1) Andrew Mulvaney stepped down from the Board on 7 October 2005. His remuneration details above cover only the period for which Dr Mulvaney was a director of the Company.
(2) Brian Richards joined the Board on 7 October 2005.

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:

	At 1 February 2005	Granted during period	Exercised	Lapsed	**At 31 January 2006**
Executive					
Steven Lee(1)	2,020,200	550,000	–	–	**2,570,200**
Andrew Mulvaney	–	–	–	–	**–**
Non-executive					
Stephen Davies	–	–	–	–	**–**
John Montgomery	–	–	–	–	**–**
David Norwood	–	–	–	–	**–**
Brian Richards	–	–	–	–	**–**

(1) Steven Lee's share options at 1 February 2005 were granted on 29 September 2004 at an option price of 0.495p per share. At 1 February 2005, 1,353,543 shares had vested; the remaining 666,657 shares will vest on 14 October 2006. This tranche of share options expire on 29 September 2014.

Share options granted during the year vest in the following proportions: 100,000 immediately; 100,000 on 1 December 2006; 100,000 on 1 December 2007 and 250,000 on 1 December 2008. The options were granted at 171.5p, the closing mid-market value of the shares on 30 November 2005. This tranche of share options expire on 1 December 2016.

Directors' shareholdings

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

	Ordinary shares at 31 January 2006	Ordinary shares at 31 January 2005
Executive		
Steven Lee	**148,148**	148,148
Andrew Mulvaney(1)	**1,010,100**	1,010,100
Non-executive		
Stephen Davies	**6,208,748**	6,208,748
John Montgomery	**1,019,359**	1,019,359
David Norwood	**–**	–
Brian Richards	**–**	–

(1) Andrew Mulvaney stepped down from the Board on 7 October 2005.

On behalf of the Board

Professor Stephen Davies
Chairman

9 May 2006

Statement of Directors' Responsibilities

For the year ended 31 January 2006

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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

9 May 2006

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 2006 which comprise the Consolidated Profit and Loss Account, 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 Annual Report, the consolidated financial statements and the parent company 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 and 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. We also report to you if, in our opinion, the Directors’ Report is not consistent with the financial statements, if 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 Statement 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 2006 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 2006;
- the consolidated and parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- 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.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Southampton

9 May 2006

Consolidated Profit and Loss Account

For the year ended 31 January 2006

	Notes	2006 £	Restated 2005 £
Turnover	3	**531,361**	112,718
Cost of sales		**(233,444)**	(90,200)
Gross profit		**297,917**	22,518
Research and development		**(1,025,683)**	(267,533)
General, management and administration		**(1,005,366)**	(40,348)
Total administrative expenses		**(2,031,049)**	(307,881)
Operating loss	4	**(1,733,132)**	(285,363)
Interest receivable		**582,868**	215,368
Loss on ordinary activities before taxation		**(1,150,264)**	(69,995)
Tax on loss on ordinary activities	6	**155,437**	24,321
Loss on ordinary activities after taxation	18	**(994,827)**	(45,674)
Basic and diluted loss per ordinary share	7	**3.18p**	0.19p

All amounts relate to continuing activities.

Statement of recognised gains and losses
There were no recognised gains and losses other than the losses above, and therefore no separate statement of total recognised gains and losses is presented. A prior year adjustment to exclude the non-cash charge of £453,351 for expensing of share options in 2005 has increased the opening balance of the profit and loss account reserve by the same amount (see note 2).

The notes on pages 16 to 23 form part of these financial statements.

Consolidated Balance Sheet

At 31 January 2006

	Notes	31 January 2006 £	Restated 31 January 2005 £
Fixed assets			
Intangible assets	8	**28,016**	20,000
Tangible assets	9	**1,261,082**	1,353
		1,289,098	21,353
Current assets			
Stock	11	**27,000**	–
Debtors	12	**541,300**	93,140
Cash on short term deposits	13	**11,593,626**	13,800,000
Cash at bank		**1,039,690**	361,252
		13,201,616	14,254,392
Creditors: amounts falling due within one year	14	**(704,833)**	(185,849)
Net current assets		**12,496,783**	14,068,543
Creditors: amounts falling due after more than one year		**(690,812)**	–
Net assets		**13,095,069**	14,089,896
Capital and reserves			
Called up share capital	16	**3,131,311**	3,131,311
Share premium account	18	**12,946,848**	12,946,848
Merger reserve	18	**(1,942,589)**	(1,942,589)
Profit and loss account	18	**(1,040,501)**	(45,674)
Equity shareholders' funds	18	**13,095,069**	14,089,896

The notes on pages 16 to 23 form part of these financial statements.

Approved by the Board of Directors and authorised for issue

Steven Lee, PhD
Chief Executive Officer

9 May 2006

Darren Millington, ACMA
Company Secretary

9 May 2006

Company Balance Sheet

At 31 January 2006

	Notes	31 January 2006 £	Restated 31 January 2005 £
Fixed assets			
Investments	10	**2,020,198**	2,020,198
Current assets			
Debtors – due after more than one year	12	**14,225,887**	423,662
Debtors – due within one year	12	**–**	17,056
		14,225,887	440,718
Cash on short term deposits	13	**–**	13,800,000
		14,225,887	14,240,718
Creditors: amounts falling due within one year		**–**	(5,000)
Net current assets		**14,225,887**	14,235,718
Net assets		**16,246,085**	16,255,916
Capital and reserves			
Called up share capital	16	**3,131,311**	3,131,311
Share premium account	18	**12,946,848**	12,946,848
Profit and loss account	18	**167,926**	177,757
Equity shareholders' funds	18	**16,246,085**	16,255,916

The notes on pages 16 to 23 form part of these financial statements.

Approved by the Board of Directors and authorised for issue

Steven Lee, PhD
Chief Executive Officer

9 May 2006

Darren Millington, ACMA
Company Secretary

9 May 2006

Consolidated Cash Flow Statement

For the year ended 31 January 2006

	Notes	**2006** **£**	2005 £
Net cash outflow from operating activities		**(1,447,680)**	(184,863)
Returns on investments and servicing of finance			
Interest received		**507,652**	215,368
Taxation			
R&D tax credit received		**29,041**	–
Capital expenditure			
Purchase of tangible fixed assets		**(1,357,770)**	(1,803)
Purchase of intangible fixed assets		**(15,783)**	(5,000)
		(1,373,553)	(6,803)
Cash (outflow) inflow before management of liquid resources and financing		**(2,284,540)**	23,702
Management of liquid resources			
Decrease (increase) in short term deposits		**2,206,374**	(13,800,000)
Financing			
Issue of ordinary share capital (net of expenses)		**–**	14,057,959
Increase in debt during the year		**756,604**	–
		756,604	14,057,959
Increase in cash	22	**678,438**	281,661

Reconciliation of operating loss to net cash outflow from operating activities

	2006 **£**	Restated 2005 £
Operating loss	**(1,733,132)**	(285,363)
Depreciation charge	**127,520**	450
Amortisation charge	**7,767**	5,000
Increase in debtors	**(246,547)**	(68,615)
Increase in stock	**(27,000)**	–
Increase in creditors	**423,712**	163,665
Net cash outflow from operating activities	**(1,447,680)**	(184,863)

The notes on pages 16 to 23 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.

Basis of consolidation
The consolidated accounts incorporate the financial statements of the Company and its subsidiary.

Following the Group restructuring in the prior year, the Group prepare consolidated accounts using merger accounting principles as set out in Financial Reporting Standard 6.

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 £9,831 (2005: profit of £177,757).

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 collectability 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.

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.

Amortisation
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

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

Stocks
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.

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.

2. Restatement

The directors have reviewed the accounting treatment of share options in the accounts for the year to 31 January 2005 in relation to UITF 17. The directors concluded that the share options were priced at the market value at the date of grant. These accounts have therefore been restated to exclude the non-cash charge of £453,351 for expensing of share options. This restatement has had no effect on net assets or equity shareholders' funds.

The directors have also reviewed the allocation of operating expenses between cost of sales and research and development. After enquiries, the Board has agreed to reallocate £189,021 from cost of sales for the year ended 31 January 2005 to research and development. The Board agree that this allocation of expenditure more fairly reflects the level of activities during the prior year. This restatement has had no effect on operating profit.

3. 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 is not in the best interests of shareholders. At 31 January 2006 and 2005 all the net assets of the Group and Company were located in the United Kingdom.

4. Operating loss

Operating loss is stated after charging:

	2006 £	Restated 2005 £
Operating leases – land and buildings	**293,701**	28,000
Depreciation charge	**127,520**	450
Amortisation charge	**7,767**	5,000
Auditors' remuneration		
– for audit services	**20,000**	12,000
– for other services	**23,435**	3,480

Of the above auditors' remuneration, £5,000 (2005: £3,000) relates to VASTox Chemical Genomics Limited and £15,000 relates to VASTox plc (2005: £9,000).

5. Employee numbers and staff costs

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

	2006	2005
Technical, research and development	**14**	1
Administration and overheads	**5**	8
	19	9

The parent company had no employees in the current or previous financial years. At the end of the year the Group employed 32 employees.

Their aggregate remuneration comprised:

	2006 £	2005 £
Wages and salaries	**833,973**	130,285
Social security costs	**96,929**	14,053
Pension costs	**17,649**	–
	948,551	144,338

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 8 to 9, which are ascribed as forming part of these financial statements.

6. Taxation

The tax credit represents:

	2006 £	2005 £
Prior period adjustment	**4,720**	–
R&D tax credit in the period	**150,717**	24,321
	155,437	24,321

Notes to the Financial Statements (continued)

6. Taxation (continued)

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% (2005: 19%). The differences are explained as follows:

	2006 **£**	2005 £
Loss on ordinary activities before taxation	**(1,150,264)**	(69,995)
Tax thereon at 19%	**(218,550)**	(13,299)
Expenses not deductible for tax purposes	**9,390**	1,036
Movement in short-term timing differences	**511**	–
Increase in losses carried forward to future periods	**322,192**	8,797
Capital allowances in excess of depreciation	**(232,860)**	–
Difference in rate regarding R&D tax credits	**28,259**	4,561
Tax relief for qualifying R&D expenditure	**(59,659)**	(25,416)
Prior period adjustments	**(4,720)**	–
	(155,437)	(24,321)

Unrecognised deferred tax

The deferred tax liability in respect of accelerated capital allowances of £232,606 (2005: £257) 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 £93,840 (2005: £3,997) 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.

7. Loss per share calculation

	2006	Restated 2005
Attributable loss (£)	**994,827**	45,674
Weighted average number of shares in issue	**31,313,111**	23,464,765
Basic and diluted loss per share (pence)	**3.18**	0.19

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 3,243,884 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.

On 27 February 2006 the Group announced an equity placing of 5,903,955 ordinary shares at a price of 177 pence. These shares rank *pari passu* with existing shares. See note 25 for further details.

8. Intangible fixed assets

Group	Patents and licences £
Cost	
At 1 February 2005	25,000
Additions	15,783
At 31 January 2006	40,783
Amortisation	
At 1 February 2005	(5,000)
Provided during the year	(7,767)
At 31 January 2006	(12,767)
Net book value	
At 31 January 2006	28,016
At 31 January 2005	20,000

9. Tangible fixed assets

Group	Leasehold improvements £	Laboratory equipment £	Office and IT equipment £	Total £
Cost				
At 1 February 2005	–	–	1,803	1,803
Additions	828,849	494,103	64,297	1,387,249
At 31 January 2006	828,849	494,103	66,100	1,389,052
Depreciation				
At 1 February 2005	–	–	(450)	(450)
Provided during the year	(73,247)	(40,680)	(13,593)	(127,520)
At 31 January 2006	(73,247)	(40,680)	(14,043)	(127,970)
Net book value				
At 31 January 2006	755,602	453,423	52,057	1,261,082
At 31 January 2005	–	–	1,353	1,353

The Company had no tangible fixed assets.

10. Investments

Company	Shares in subsidiary undertaking
Cost and net book value at 1 February 2005 and 31 January 2006	2,020,198

11. Stock

	Group		Company	
	2006 **£**	2005 £	**2006** **£**	2005 £
Stock – raw materials	**27,000**	–	**–**	–

12. Debtors

	Group		Company	
	2006 **£**	2005 £	**2006** **£**	2005 £
Trade debtors	**128,839**	39,650	**–**	–
Amounts owed by Group undertakings	**–**	–	**14,225,887**	423,662
Corporation tax recoverable	**150,717**	24,321	**–**	–
Other debtors	**71,332**	23,328	**–**	17,056
Prepayments and accrued income	**190,412**	5,841	**–**	–
	541,300	93,140	**14,225,887**	440,718

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

13. Short-term deposits and investments

	Group		Company	
	2006 **£**	2005 £	**2006** **£**	2005 £
Short-term deposits with bank	**11,593,626**	13,800,000	**–**	13,800,000

Notes to the Financial Statements (continued)

14. Creditors: Amounts falling due within one year

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Loan repayments	**65,792**	–	**–**	–
Trade creditors	**488,423**	17,784	**–**	–
Social security and other taxes	**32,327**	10,814	**–**	–
Accruals and deferred income	**118,291**	157,251	**–**	5,000
	704,833	185,849	**–**	5,000

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

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Loans	**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:

	Loan	
	2006	2005
	£	£
Debt due within one year	**65,792**	–
Debt due in first to second years inclusive	**65,792**	–
Debt due in second to fifth years inclusive	**197,375**	–
Debt due after five years	**427,645**	–
	756,604	–

16. Share capital

	2006	2005
	£	£
Authorised		
50,000,000 ordinary shares of 10p each	**5,000,000**	5,000,000
Alloted, called up and fully paid		
31,313,111 ordinary shares of 10p each	**3,131,311**	3,131,311

17. Share option scheme

At 31 January 2006 the outstanding share options, which include the share options granted to directors as stated in the directors' remuneration report, are as shown below:

Option scheme	Date of grant	Exercise period – from	Exercise period – to	Number of shares	Exercise price (p)
EMI scheme	30 Sep 04	30 Sep 04	14 Oct 16	88,884	135.0
	01 Jul 05	01 Jul 05	01 Jul 15	60,000	169.5
	02 Dec 05	02 Dec 05	02 Dec 15	487,011	171.5
Unapproved scheme	29 Sep 04	29 Sep 04	29 Sep 14	2,020,200	0.5
	02 Dec 05	02 Dec 05	02 Dec 15	587,989	171.5
				3,244,084	

18. Reserves

	Share premium account £	Share capital to be issued £	Merger reserve £	Profit and loss account £	Total £
Group					
At 1 February 2005 as previously reported	12,946,848	453,361	(1,942,589)	(499,035)	10,958,585
Prior year adjustment – note 2	–	(453,361)	–	453,361	–
At 1 February 2005 as restated	12,946,848	–	(1,942,589)	(45,674)	10,958,585
Loss for the year	–	–	–	(994,827)	(994,827)
At 31 January 2006	12,946,848	–	(1,942,589)	(1,040,501)	9,963,758
Company					
At 1 February 2005 as previously reported	12,946,848	453,361	–	(275,604)	13,124,605
Prior year adjustment – note 2	–	(453,361)	–	453,361	–
At 1 February 2005 as restated	12,946,848	–	–	177,757	13,124,605
Loss for the year	–	–	–	(9,831)	(9,831)
At 31 January 2006	12,946,848	–	–	167,926	13,114,774

19. Reconciliation of movement in shareholders' funds

	2006 £	2005 £
Group		
Opening shareholders' funds	**14,089,896**	–
Shares issued during the year	**–**	3,131,311
Share premium on issued shares (net of expenses)	**–**	12,946,848
Merger reserve	**–**	(1,942,589)
Loss for the financial year	**(994,827)**	(45,674)
Closing shareholders' funds	**13,095,069**	14,089,896
Company		
Opening shareholders' funds	**16,255,916**	–
Shares issued during the year	**–**	3,131,311
Share premium on issued shares (net of expenses)	**–**	12,946,848
(Loss) profit for the financial year	**(9,831)**	177,757
Closing shareholders' funds	**16,246,085**	16,255,916

20. Subsidiaries

Company name	Country of incorporation	Percentage shareholding	Description
VASTox Chemical Genomics 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.

21. Commitments

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

	Land and buildings	
Leases which expire	**2006 £**	2005 £
Within one year	**–**	29,822
After five years	**334,000**	–
	334,000	29,822

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

The Group and Company had no capital commitments at 31 January 2006 or 31 January 2005.

Notes to the Financial Statements (continued)

21. Commitments (continued)
Other commitments
On 17 September 2004 VASTox Chemical Genomics Limited ("VCG") and Isis Innovation Limited ("Isis") entered into a licensing agreement pursuant to which Isis granted a licence of a patent application relating to the Utrophin B promoter sequence. Under the terms of the licence VCG is obliged to pay, in addition to a £5,000 signing fee and £20,000 payment towards back patent costs:

- Royalties at a flat rate on net sales of 0.95%, subject to a minimum payment in years two and three of the agreement of £10,000 per annum and £20,000 per annum thereafter.
- Fee income royalty rates at pre-agreed levels.

22. Analysis and reconciliation of movement in net funds

	1 February 2005 £	Cash flows £	**31 January 2006 £**
Cash at bank	361,252	678,438	**1,039,690**
Liquid resources	13,800,000	(2,206,374)	**11,593,626**
Debt due within 1 year	–	(65,792)	**(65,792)**
Debt due after 1 year	–	(690,812)	**(690,812)**
Net funds	14,161,252	(2,284,540)	**11,876,712**

	2006 £	2005 £
Increase in cash in the period	**678,438**	281,661
(Decrease) increase in liquid resources	**(2,206,374)**	13,800,000
Cash inflow from loan finance	**(756,604)**	–
Change in net funds resulting from cash flows	**(2,284,540)**	14,081,661
Net funds at beginning of period	**14,161,252**	79,591
Net funds at end of period	**11,876,712**	14,161,252

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:

	2006 **£**	2005 £
On dated deposit – fixed rate	**11,593,626**	13,800,000
On short-term deposit – floating rate	**1,009,338**	–
On current account	**30,352**	361,252
	12,633,316	14,161,252

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 2006, the dated deposit facility returned an average rate after fees of 4.2% (2005: 5.4%). The short-term deposit facility returned an average rate after fees of 6.4% (2005: 0%). Dated deposits are held on deposit for periods between one month and six months.

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 27 February 2006 the Group announced an equity placing of 5,903,955 ordinary shares at a price of 177 pence. These shares rank *pari passu* with the existing shares. The equity placing raised gross proceeds of £10.45 million (£9.97 million net of expenses).

On 9 February 2006 the Group formed a wholly-owned subsidiary, VASTox Discovery 1 Limited, company number 05635997. This company will become the vehicle to develop the Group's spinal muscular atrophy development programme.

On 26 April 2006 the Group announced the recruitment of Richard Storer, DPhil, FRSC, as a Director and Chief Scientific Officer for the Group.

On 9 May 2006 the Group announced the appointment of Darren Millington, ACMA as a Director and Chief Financial Officer for the Group.

Company Information

Directors

Professor S Davies	Non-executive Chairman
S Lee, PhD	Chief Executive Officer
R Storer, DPhil	Chief Scientific Officer
D Millington, ACMA	Chief Financial Officer
J Montgomery, FCA	Non-executive Director
D Norwood	Non-executive Director
Sir B Richards	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

Notes

Notice of Annual General Meeting

VASTox plc
(Incorporated in England and Wales with registered number 05197494)

Notice is hereby given that the Annual General Meeting of VASTox plc (the "Company") will be held at the offices of the Company, 91 Milton Park, Abingdon, Oxfordshire OX14 4RY on 8 June 2006 at 9am for the purpose of considering, and if thought fit, passing the following Resolutions as ordinary resolutions:

Resolution 1 That the accounts for the year ended 31 January 2006 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.

Resolution 3 That Sir Brian Richards, aged 73, who was appointed as a Director on 7 October 2005 and is retiring in accordance with the Company's articles of association, be re-elected as a Director of the Company.

Resolution 4 That Richard Storer, who was appointed as a Director on 26 April 2006 and is retiring in accordance with the Company's articles of association be re-elected as a director of the Company.

Resolution 5 That Darren Millington, who was appointed as a Director on 9 May 2006 and is retiring in accordance with the Company's articles of association be re-elected as a director of the Company.

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

By order of the Board

Darren Millington, ACMA
Company Secretary

9 May 2006

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 7 June 2006 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.

Proxy form

VASTox plc
Form of Proxy for use at the Annual General Meeting of VASTox plc (the “Company”) will be held at the offices of the Company, 91 Milton Park, Abingdon, Oxford OX14 4RY on 8 June 2006 at 9am.

Full name of shareholder(s) ______________________________

Address ______________________________

____

I am a/We are shareholder(s) of the Company. I/We appoint [the Chairman of the meeting]* [the following persons]* to act as my/our proxy to vote at the above meeting and at any adjournment of it.

Name of Proxy ______________________________
(if shareholder is unable to attend)
*Strike out whichever is not desired
This form is to be used by the proxy to vote on the proposed resolutions as follows:-

	For	Against
Resolution 1 Approve the Reports of the Directors and Auditors and the Accounts for the year ended 31 January 2006.		
Resolution 2 Reappoint BDO Stoy Hayward LLP as Auditors of the Company and authorise the Directors to determine their remuneration.		
Resolution 3 Re-elect Brian Richards as a Director.		
Resolution 4 Re-elect Richard Storer as a Director.		
Resolution 5 Re-elect Darren Millington as a Director.		

The Board unanimously recommends shareholders to vote in favour of Resolutions 1 to 5 above.

Signed ______________________________ Date ______________ 2006

Notes:
1. To be valid this form, duly completed, must be received at the office of the Company’s Registrars, Capita Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time fixed for the meeting. The form must be signed. If someone else signed the form on your behalf, you or that person must send the power of attorney or other written authority under which it is signed to the address overleaf.
2. A corporation must execute this form either under its common seal or under the hand of two directors or one director and the secretary or under the hand of an officer or attorney duly authorised in writing.
3. This form enables you to instruct your proxy how to vote in the event of a poll on the resolutions to be proposed at the meeting. Please indicate how you wish to vote. If you do not indicate how you wish to vote, the proxy will vote or abstain from voting as he or she thinks fit.
4. The appointment of the Chairman as proxy has been included for convenience. If you wish to appoint any other person or persons as proxy or proxies delete the words “the Chairman of the meeting” and add the name and address of the proxy or proxies appointed. A proxy need not be a member of the Company. If you do not delete such words and you appoint a proxy or proxies, the Chairman shall not be entitled to vote as proxy. Any alteration must be initialled. If you appoint more than one person to act as proxy the number of shares in respect of which each such proxy is entitled to vote must be specified failing which the first named proxy shall be deemed to be entitled to vote in respect of all the shares in the relevant holding.
5. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated and the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority will be determined by the order in which the names stand in the register of members in respect of the shares.
6. Returning the form of proxy will not prevent you from attending the meeting and voting in person.

Second fold

Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent BR3 4BR

Third fold and tuck in

First fold

Designed and produced by **Emperor Design Consultants Ltd**
Telephone **020 7729 9090 www.emperordesign.co.uk**

vastox.com

91 Milton Park
Abingdon
Oxfordshire
OX14 4RY

Tel: +44 (0) 1235 44 39 10
Fax: +44 (0) 1235 44 39 99