AMARIN CORP PLC\UK
Form 20-F/A
July 31, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F/A

AMENDMENT NO. 1

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ___ TO ___

Commission file number 0-21392

AMARIN CORPORATION PLC

(Exact Name of Registrant as Specified in Its Charter)

England
(Jurisdiction of Incorporation or Organization)
7 Curzon Street
London W1J 5HG
England
(Address of Principal Executive Offices)

SECURITIES REGISTERED OR TO BE REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of Each Exchange On Which Registered
None	None

SECURITIES REGISTERED OR TO BE REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

American Depositary Shares, each representing one Ordinary Share
Ordinary Shares, £1.00 par value per share
(Title of Class)

SECURITIES FOR WHICH THERE IS A REPORTING OBLIGATION PURSUANT TO SECTION 15(d) OF THE ACT:

None.

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

9,838,158 Ordinary Shares, £1.00 par value per share
2,000,000 Preference Shares, £1.00 par value per share

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [ ]

Indicate by check mark which financial statement item the registrant has elected to follow.

ITEM 17 [ ] ITEM 18 [X]

TABLE OF CONTENTS

Table of Contents

EXPLANATORY NOTE

Amarin Corporation plc (the Company) hereby amends its Annual Report on Form 20-F for the fiscal year ended December 31, 2002 pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, to include in Item 18 of the Form 20-F note 39 R) relating to the Company s acquisition of certain rights to Permax. Note 39 R) appears at page F-47 of this Form 20-F/A.

This amendment also amends Item 18 of the Form 20-F to include an additional note 40, appearing at page F-48 of this Form 20-F/A, relating to events subsequent to the date of the original Form 20-F relating to trading, cash flow and going concern.

This amendment also amends Item 18 of the Form 20-F by making additional disclosure in note 17 regarding the accounting for the acquisition of Permax.

This amendment also amends Item 18 of the Form 20-F by deleting the reference to £000 in the first section of note 7.

This amendment also amends Item 18 of the Form 20-F to include an updated report of the independent accountants, which appears at page F-1 of this Form 20-F/A.

This amendment also includes in Item 19, and as Exhibit 10.1 and 10.2 to the Form 20-F, a new Certification of Richard A.B. Stewart and a new Certification of Ian R. Garland pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

This amendment also includes in Item 19, and as Exhibit 10.3 to the Form 20-F, the Consent of the Independent Accountants of Amarin Corporation plc to the incorporation by reference of the Report of the Independent Accountants on page F-1 of this Form 20-F/A in the registration statements of the Company on Form F-3 (nos. 333-12642 and 333-13200).

This amendment also amends footnote to the list of Exhibits in Item 19 and in the Exhibit Index to reflect that the Company s request for confidential treatment was granted.

Other than as expressly set forth above, this Form 20-F/A does not, and does not purport to, amend, update or restate the information in any other Item of the Form 20-F or reflect any events that have occurred after the date on which the Form 20-F was filed.

Table of Contents

PART III

Item 18. Financial Statements

The Report of Independent Accountants and the accompanying consolidated financial statements of Amarin Corporation plc and its subsidiaries are found at pages F-1 to F-48 of this Form 20-F/A.

Item 19. Exhibits

Exhibits filed as part of this annual report:

1.1	Memorandum of Association of the Company*
1.2	Articles of Association of the Company*
2.1	Form of Deposit Agreement, dated as of March 29, 1993, among the Company, Citibank, N.A., as Depositary, and all holders from time to time of American Depositary Receipts issued thereunder (1)
2.2	Amendment No. 1 to Deposit Agreement, dated as of October 8, 1998, among the Company, Citibank, N.A., as Depositary, and all holders from time to time of the American Depositary Receipts issued thereunder (2)
2.3	Amendment No. 2 to Deposit Agreement, dated as of September 25, 2002 among the Company, Citibank N.A., as Depositary, and all holders from time to time of the American Depositary Receipts issued thereunder (3)
2.4	Form of Ordinary Share certificate*
2.5	Form of American Depositary Receipt evidencing ADSs (included in Exhibit 2.3) (3)
2.6	Registration Rights Agreement, dated as of October 21, 1998, by and among Ethical Holdings plc and Monksland Holdings B.V.*
2.7	Amendment No. 1 to Registration Rights Agreement and Waiver, dated January 27, 2003, by and among the Company, Elan International Services, Ltd. and Monksland Holdings B.V.*
2.8	Second Subscription Agreement, dated as of November 1999, among Ethical Holdings PLC, Monksland Holdings B.V. and Elan Corporation PLC (4)
2.9	Purchase Agreement, dated as of June 16, 2000, by and among the Company and the Purchasers named therein (4)
2.10	Registration Rights Agreement, dated as of November 24, 2000, by and between the Company and Laxdale Limited (5)
2.11	Form of Subscription Agreement, dated as of January 27, 2003 by and among the Company and the Purchasers named therein* (The Company entered into twenty separate Subscription Agreements on January 27, 2003 all substantially similar in form and content to this form of Subscription Agreement.)
2.12	Form of Registration Rights Agreement, dated as of January 27, 2003 between the Company and the Purchasers named therein* (The Company entered into twenty separate Registration Rights Agreements on January 27, 2003 all substantially similar in form and content to this form of

	Registration Rights Agreement.)
4.1	Amended and Restated Asset Purchase Agreement dated September 29, 1999 between Elan Pharmaceuticals Inc. and the Company*
4.2	Variation Agreement, undated, between Elan Pharmaceuticals Inc. and the Company*
4.3	License Agreement, dated November 24, 2000, between the Company and Laxdale Limited (6)

2

4.4	Option Agreement, dated as of June 18, 2001, between Elan Pharma International Limited and the Company (7)
4.5	Deed of Variation, dated January 27, 2003, between Elan Pharma International Limited and the Company*
4.6	Lease, dated August 6, 2001, between the Company and LB Strawberry LLC (7)
4.7	Amended and Restated Distribution, Marketing and Option Agreement, dated September 28, 2001, between Elan Pharmaceuticals, Inc. and the Company (8)
4.8	Amended and Restated License and Supply Agreement, dated March 29, 2002, between Eli Lilly and Company and the Company*
4.9	Deed of Variation, dated January 27, 2003, between Elan Pharmaceuticals Inc. and the Company*
4.10	Stock and Intellectual Property Right Purchase Agreement, dated November 30, 2001, by and among Abriway International S.A., Sergio Lucero, Francisco Stefano, Amarin Technologies S.A., Amarin Pharmaceuticals Company Limited and the Company (7)
4.11	Stock Purchase Agreement, dated November 30, 2001, by and among Abriway International S.A., Beta Pharmaceuticals Corporation and the Company (7)
4.12	Novation Agreement, dated November 30, 2001, by and among Beta Pharmaceuticals Corporation, Amarin Technologies S.A. and the Company (7)
4.13	Loan Agreement, dated September 28, 2001, between Elan Pharma International Limited and the Company (8)
4.14	Deed of Variation, dated July 19, 2002, amending certain provisions of the Loan Agreement between the Company and Elan Pharma International Limited*
4.15	Deed of Variation No. 2, dated December 23, 2002, between the Company and Elan Pharma International Limited*
4.16	Deed of Variation No. 3, dated January 27, 2003, between the Company and Elan Pharma International Limited*
4.17	The Company 2002 Stock Option Plan (9)
4.18	Agreement Letter, dated October 21, 2002, between the Company and Security Research Associates, Inc.*
4.19	Agreement, dated January 27, 2003, among the Company, Elan International Services, Ltd. and Monksland Holdings B.V.*
4.20	Master Agreement, dated January 27, 2003, between Elan Corporation, plc., Elan Pharma International Limited, Elan International Services, Ltd., Elan Pharmaceuticals, Inc., Monksland Holdings B.V. and the Company*
4.21	Form of Warrant Agreement, dated March 19, 2003, between the Company and individuals designated by Security Research Associates, Inc.* (The Company entered into seven separate Warrant Agreements on March 19, 2003 all substantially similar in form and content to this form of Warrant Agreement.)
4.22	Sale and Purchase Agreement, dated March 14, 2003, between F. Hoffmann La Roche Ltd., Hoffmann La Roche Inc. and the Company*

8.1	Subsidiaries of the Company*
10.1	Certification of Richard A. B. Stewart pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
10.2	Certification of Ian R. Garland pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Table of Contents

10.3	Consent of PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors**

* Previously filed as an exhibit to the Company s Annual Report on Form 20-F for the year ended December 31, 2002, filed with the Securities and Exchange Commission on April 24, 2003.

** Filed herewith.

Confidential treatment was granted by the Securities and Exchange Commission (the confidential portions of such exhibits have been omitted and filed separately with the Securities and Exchange Commission).

(1) Incorporated herein by reference to certain exhibits to the Company s Registration Statement on Form F-1, File No. 33-58160, filed with the Securities and Exchange Commission on February 11, 1993.

(2) Incorporated herein by reference to Exhibit(a)(i) to the Company s Registration Statement on Post-Effective Amendment No. 1 to Form F-6, File No. 333-5946, filed with the Securities and Exchange Commission on October 8, 1998.

(3) Incorporated herein by reference to Exhibit(a)(ii) to the Company s Registration Statement on Post-Effective Amendment No. 2 to Form F-6, File No. 333-5946, filed with the Securities and Exchange Commission on September 26, 2002.

(4) Incorporated herein by reference to certain exhibits to the Company s Annual Report on Form 20-F for the year ended December 31, 1999, filed with the Securities and Exchange Commission on June 30, 2000.

(5) Incorporated herein by reference to certain exhibits to the Company s Registration Statement on Form F-3, File No. 333-13200, filed with the Securities and Exchange Commission on February 22, 2001.

(6) Incorporated herein by reference to certain exhibits to the Company s Annual Report on Form 20-F for the year ended December 31, 2000, filed with the Securities and Exchange Commission on July 2, 2001.

(7) Incorporated herein by reference to certain exhibits to the Company s Annual Report on Form 20-F for the year ended December 31, 2001, filed with the Securities and Exchange Commission on May 9, 2002.

(8) Incorporated herein by reference to certain exhibits to the Company s Registration Statement on Pre-Effective Amendment No. 2 to Form F-3, File No. 333-13200, filed with the Securities and Exchange Commission on November 19, 2001.

(9) Incorporated herein by reference to certain exhibits to the Company s Registration Statement on Form S-8, File No. 333-101775, filed with the Securities and Exchange Commission on December 11, 2002.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this amendment no. 1 to the annual report on its behalf.

AMARIN CORPORATION PLC

By: /s/ RICHARD A. B. STEWART

Richard A. B. Stewart
Chief Executive Officer

July 31, 2003

5

Table of Contents

CERTIFICATIONS

I, Richard A. B. Stewart, certify that:

1. I have reviewed this annual report on Form 20-F/A of Amarin Corporation plc;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   (a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) Evaluated the effectiveness of the registrant s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

   (c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of registrant s board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls; and

6. The registrant s other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 31, 2003

/s/ RICHARD A. B. STEWART

Richard A. B. Stewart
Chief Executive Officer

Table of Contents

I, Ian R. Garland, certify that:

1. I have reviewed this annual report on Form 20-F/A of Amarin Corporation plc;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   (a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) Evaluated the effectiveness of the registrant s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

   (c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date:

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of registrant s board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls; and

6. The registrant s other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 31, 2003

/s/ IAN R. GARLAND

Ian R. Garland
Chief Financial Officer

Table of Contents

Report of independent accountants

To the Board of Directors and Shareholders of
Amarin Corporation plc

In our opinion, the accompanying balance sheets and the related consolidated profit and loss accounts, statements of total recognised gains and losses, reconciliations of movements in shareholders funds and cashflow statements present fairly, in all material respects, the financial position of Amarin Corporation plc and its subsidiaries at December 31, 2002, December 31, 2001 and December 31, 2000, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles which, as described in Note 2, are generally accepted in the United Kingdom. These financial statements are the responsibility of the Company s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and in the United Kingdom, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 40 to the financial statements, the Company has suffered adverse trading conditions since the year end which raise substantial doubt about its ability to continue as a going concern. Management s plans in regard to these matters are also described in Note 40. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Accounting principles generally accepted in the United Kingdom vary in certain important respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of consolidated net income for each of the three years in the period ended December 31, 2002 and the determination of consolidated shareholders equity at December 31, 2002, 2001 and 2000 to the extent summarized in Note 39 to the consolidated financial statements.

/s/ PRICEWATERHOUSE COOPERS LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Cambridge, England
24 April 2003, except as to the information presented in note 40, for which the date is 31 July 2003

Table of Contents

Consolidated profit and loss account for the year ended 31 December

	Note	2002	2001	2000
		£ 000	£ 000	£ 000
Turnover				
Continuing operations		40,649	36,927	10,526
Discontinued operations			2,225	7,013
	3	40,649	39,152	17,539
Cost of sales				
Continuing operations	4	(18,696)	(14,734)	(3,089)
Discontinued operations			(1,004)	(1,403)
		(18,696)	(15,738)	(4,492)
Gross profit				
Continuing operations		21,953	22,193	7,437
Discontinued operations			1,221	5,610
		21,953	23,414	13,047
Operating expenses				
Continuing operations		(42,221)	(25,680)	(9,206)
Discontinued operations			(763)	(914)
	5	(42,221)	(26,443)	(10,120)
Operating (loss)/profit				
Continuing operations		(20,268)	(3,487)	(1,769)
Discontinued operations			458	4,696
		(20,268)	(3,029)	2,927
Exceptional income/(costs) of restructuring				
Discontinued operations	11	669	735	(2,108)
(Loss)/profit on disposal of operations				
Discontinued operations	8		(893)	759
(Loss)/profit on ordinary activities before interest				
Continuing operations		(20,268)	(3,487)	(1,769)
Discontinued operations		669	300	3,347
		(19,599)	(3,187)	1,578
Interest receivable and similar income	9	242	547	608
Interest payable and similar charges	10	(1,459)	(296)	(257)
(Loss)/profit on ordinary activities before taxation	3,12	(20,816)	(2,936)	1,929
Tax on (loss)/profit on ordinary activities	13	(2,196)	(333)	(229)
(Loss)/profit for the financial year		(23,012)	(3,269)	1,700
Dividends non-equity	16	(76)	(124)	(124)
Retained (loss)/profit for the financial year	29	(23,088)	(3,393)	1,576
		Pence	Pence *Restated	Pence *Restated
Basic (loss)/earnings per ordinary share	15	(247.5)	(45.9)	43.0

Fully diluted (loss)/earnings per ordinary share	15	(247.5)	(45.9)	20.2

There is no difference between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for the year stated above, and their historical cost equivalents.

* During 2002 the nominal value of ordinary shares was converted from 10p to £1 resulting in the number of shares reducing by a factor of 10, accordingly the comparatives for 2001 and 2000 have been restated.

Table of Contents

Statement of group total recognised gains and losses

	2002	2001	2000
	£ 000	£ 000	£ 000
(Loss)/profit for the year	(23,012)	(3,269)	1,700
Transfer of warrant proceeds reserve			705
Exchange adjustments offset in reserves	(1,011)	(23)	14
	(24,023)	(3,292)	2,419

Reconciliation of movements in group shareholders (deficit)/funds

	2002	2001	2000
	£ 000	£ 000	£ 000
(Loss)/profit for the financial year	(23,012)	(3,269)	1,700
Dividends non equity	(76)	(124)	(124)
New share capital issued	123	2,942	10,659
Exchange adjustments offset in reserves	(1,011)	(23)	14
Share issuance costs	(252)		
Share option compensation charge			1,058
Net change in shareholders (deficit)/funds	(24,228)	(474)	13,307
Opening shareholders funds	20,372	20,846	7,539
Closing shareholders (deficit)/funds	(3,856)	20,372	20,846

Table of Contents

Balance sheets at 31 December

		Group			Company		
	Note	2002	2001	2000	2002	2001	2000
		£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Intangible assets	17	29,477	32,378	15,119	29,387	32,363	14,027
Tangible assets	18	1,482	1,530	960	255	312	114
Investments	19				1,031	1,031	1,031
		30,959	33,908	16,079	30,673	33,706	15,172
Current assets							
Stock	20	4,799	2,438	1,878	4,759	2,423	1,868
Debtors	21	9,694	5,408	3,133	21,011	22,177	4,907
Investments	22		44	10,064		44	10,064
Cash at bank and in hand		15,072	20,688	1,348	12,044	19,405	1,055
		29,565	28,578	16,423	37,814	44,049	17,894
Creditors: amounts falling due within one year	23	41,557	36,902	3,037	43,414	52,885	4,468
Net current (liabilities)/assets		(11,992)	(8,324)	13,386	(5,600)	(8,836)	13,426
Total assets less current liabilities		18,967	25,584	29,465	25,073	24,870	28,598
Creditors: amounts falling due after more than one year	24	22,792	4,466	6,458	28,884	4,466	6,266
Provisions for liabilities and charges	25	31	746	2,161	31	746	2,161
Net (liabilities)/assets		(3,856)	20,372	20,846	(3,842)	19,658	20,171
Capital and reserves							
Called up share capital	27	11,838	11,804	10,944	11,838	11,804	10,944
Share premium account	29	37,981	38,144	36,062	36,288	36,451	34,369
Merger reserve	29	(1,027)	(1,027)	(1,027)			
Profit and loss account	29	(52,648)	(28,549)	(25,133)	(51,968)	(28,597)	(25,142)
Total shareholders (deficit)/funds		(3,856)	20,372	20,846	(3,842)	19,658	20,171
Analysis of shareholders (deficit)/funds							
Equity		(10,062)	7,560	8,034	(10,048)	6,846	7,359
Non-equity		6,206	12,812	12,812	6,206	12,812	12,812
		(3,856)	20,372	20,846	(3,842)	19,658	20,171

F-4

Table of Contents

Consolidated cash flow statement
for the year ended 31 December

	Note	2002	2001	2000
		£ 000	£ 000	£ 000
Net cash inflow from operating activities		3,811	11,670	3,531
Returns on investment and servicing of finance				
Dividends paid on non-equity shares				(124)
Interest received		242	526	454
Interest paid on loans and overdrafts		(52)	(287)	(47)
Interest paid on finance leases		(3)	(9)	(15)
Other interest paid				(8)
Net cash inflow from returns on investments and servicing of finance		187	230	260
Taxation				
Corporation tax paid		(529)	(284)	(30)
Capital expenditure and financial investment				
Purchase of intangible fixed assets		(6,776)	(32,385)	(3,887)
Purchase of tangible fixed assets		(444)	(1,027)	(457)
Proceeds on sale of tangible fixed assets		102	7	68
Net cash outflow from capital expenditure and financial investment		(7,118)	(33,405)	(4,276)
Acquisitions and disposals				
Cash received on disposal of South American transdermal business			7	
Cash balance eliminated on disposal of South American transdermal business			(98)	
Net cash acquired with return of transdermal contracts				4,635
Cash (outflow)/inflow before management of liquid resources and financing		(3,649)	(21,880)	4,120
Management of liquid resources				
Decrease/(increase) in short term deposits with banks			10,020	(10,020)
Proceeds on sale of current asset investments				242
Financing				
Issue of ordinary share capital	27	123	2,746	6,382
Expenses of issue of ordinary share capital		(252)	(223)	
New bank and other loans			30,919	
Restructuring costs paid			(704)	
Repayment of principal on bank and other loans	34	(1,600)	(1,493)	(5)
Repayment of principal under finance leases	34	(120)	(163)	(92)
Net cash (outflow)/inflow from financing		(1,849)	31,082	6,285
(Decrease)/increase in cash	33	(5,498)	19,222	627

Table of Contents

Reconciliation of operating loss to net cash inflow from operating activities

	2002	2001	2000
	£ 000	£ 000	£ 000
Continuing operations			
Operating loss from continuing operations	(20,268)	(3,487)	(1,769)
Amounts written off investments			(25)
Depreciation on tangible fixed assets	538	394	439
Amortisation of intangible fixed assets	4,609	14,177	1,181
Impairment of intangible fixed assets	24,090		
(Gain)/loss on translation of foreign currency balances	(6,300)	112	
Loss/(gain) on sale of tangible fixed assets	7	9	(3)
(Increase)/decrease in stocks	(2,361)	(612)	338
(Increase)/decrease in trade debtors	(4,300)	(2,386)	2,450
Decrease/(increase) in other debtors	410	(2,236)	69
(Increase) in prepayments and accrued income	(236)	(221)	(31)
(Decrease)/increase in trade creditors	(168)	1,282	(891)
Increase/(decrease) in other creditors	3,236	1,974	(331)
Increase/(decrease) in other taxation and social security	10	(248)	4
Increase/(decrease) in accruals and deferred income	4,590	468	(1,554)
(Decrease)/increase in provisions	(46)	24	53
Share option compensation charge			1,058
Net cash inflow from continuing operating activities	3,811	9,250	988
Discontinued operations			
Operating profit from discontinued operations		458	4,696
Decrease/(increase) in stocks		52	(52)
(Increase) in trade debtors		(192)	(287)
Decrease/(increase) in other debtors		2,480	(229)
Increase/(decrease) in trade creditors		39	(370)
(Decrease) in other creditors		(417)	(1,215)
Net cash inflow from discontinued operating activities		2,420	2,543
Total net cash inflow from operating activities	3,811	11,670	3,531

Table of Contents

Notes to the financial statements for the three years ended 31 December 2000, 2001 and 2002

1. Basis of preparation

The Group has focused its efforts on the establishment of a leading marketing and distribution company focused on neurology and pain management. In implementing this strategy, the Group has acquired US rights to products currently marketed and products presently in development. These acquisitions have been financed by the issue of securities, the sale of assets and loans and deferred payment terms from a related party, Elan Pharma International Limited (EPIL).

The Directors have prepared cash flow projections, which reflect the fund raising in January 2003 (see note 37), for the Group through to 30 April 2004 that are based on management s current best estimates of future sales and take into consideration recent trends in performance since the end of the year. Based on these sales assumptions, the cash flow projections show adequate cash resources to fund the Group s existing commercial activities and to meet its Permax short-term deferred payment obligations. These projections show a need to increase the level of cash resources to fund the acquisition and launch of new products such as Zelapar.

The Directors aim to increase the level of cash resources through a combination of the sale of non-core assets, external financing, reductions in costs and re-negotiation of terms of existing loan and deferred payment obligations. Under an agreement with EPIL, cash generated from the sale of non-core assets and external financing must be utilized in repayment of certain amounts due to EPIL. This includes amounts currently not falling due in the period to 30 April 2004.

The extent to which the Directors are able to sell non-core assets, raise external finance and/or re-negotiate terms with EPIL is largely unknown in terms of both timing and amount raised. Management is actively monitoring trends in sales and trading performance and will take cost reduction and or strategic actions to ensure that the business infrastructure remains in line with the level of sales generated.

Based on current sales expectations, the Directors believe that there are adequate funds to finance the Group s current operations and there is a reasonable prospect of being able to secure sufficient additional funds from a combination of actions to fund the acquisition and launch of products currently in development. Consequently, the Directors have prepared these financial statements on the going concern basis.

2. Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important group accounting policies, which have been reviewed by the Board in accordance with Financial Reporting Standard (FRS) 18 Accounting Policies and which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Adoption of FRS 19 Deferred tax

FRS 19, Deferred tax has been adopted in the year, but its implementation has had no impact on the amounts included in the profit and loss account and balance sheets. The presentational requirements of FRS 19 for the current and prior year are disclosed in notes 13 and 25.

Basis of consolidation

The consolidated financial statements include the Company and all its subsidiary undertakings. The turnover and results of subsidiary companies are included in the financial statements from the date of acquisition,

Table of Contents

except where merger accounting principles are applied, in which case the turnover and results of the Company being merged are included for a full year.

In the case of disposals, turnover and results are included up to the date of disposal.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill thus arising is capitalised and amortised over its useful economic life.

Tangible fixed assets and intangible fixed assets

Tangible and intangible fixed assets are stated at cost, being their purchase cost, together with any incidental expenses of acquisition.

Depreciation/amortisation is calculated so as to write off the cost of tangible/intangible fixed assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Plant and equipment	10-20%
Motor vehicles	25%
Fixtures and fittings	20%
Computer equipment	33.33%

Leasehold land and buildings are amortised over the period of the lease.

Intangible fixed assets are amortised on a straight line basis over the period in which the Group is expected to benefit from these assets, not exceeding 20 years.

Evaluation of assets for impairment

The Company reviews its long-lived assets for possible impairment by comparing their discounted expected future cash flows to their carrying amount. An impairment loss is recognised if the discounted expected future cash flows are less than the carrying amount of the asset and the impaired asset is written down to its recoverable amount.

Provision is made against the carrying value of tangible or intangible fixed assets where an impairment in value is deemed to have occurred.

Research and development expenditure

On a continuous basis the Group undertakes various clinical trials to establish and provide evidence of product efficacy.

All research and development costs are written off as incurred, except as provided in the following paragraph.

For a number of products under development, income is triggered under licence agreements by the submission of registration dossiers once trials have been completed, or simply by evidence of trials results alone. In these circumstances it is the Company s policy that the direct external costs of specific trials required to fulfil these criteria will be carried forward as work-in-progress up to the value of the income to be generated, where that income is expected to be received within twelve months of the balance sheet date. At present, the Company has no costs meeting these criteria and no work-in-progress is being carried forward.

Table of Contents

Pre-launch costs

Prior to launch of a new pharmaceutical product, the Company may incur significant pre-launch marketing costs. Such costs are expensed as incurred.

Advertising costs

The Company has adopted an accounting policy for advertising costs whereby they are expensed as incurred. For the year ended 31 December 2002 costs incurred were £234,000 (31 December 2001: £589,000, 31 December 2000: £126,000).

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in, first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Finance and operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Where fixed assets are financed by leasing arrangements, which transfer to the Group substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Foreign currencies

Assets and liabilities of foreign subsidiaries are translated into sterling at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries are translated at the average rate of exchange for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at average rate, are taken to reserves and are reported in the statement of total recognised gains and losses. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Financial instruments

Current asset investments are stated at the lower of cost and market value. If there is no longer any market available for them, then the carrying value will be written down accordingly. Gains or losses on sale of such items will be recognised in the period in which the transaction takes place.

All borrowings are initially stated at the amount of consideration received. Finance costs are charged to the profit and loss account over the term of the borrowing and represent a constant proportion of capital repayment outstanding.

Turnover

Revenues exclude value added tax, sales between group companies and trade discounts. Revenues from pharmaceutical product sales and royalties now comprise the main element of the Company s income. This revenue represents the invoice value of products delivered to the customer, less trade discounts. The Company makes provisions for product returns based on specific product by product sales history and the value of product returns is taken as a deduction from revenue.

Table of Contents

Royalty income is recognised when earned, based on related sales of products under agreements providing for royalties and is included under the heading royalties and product sales . Product sales income is recognised on the delivery of the related goods.

Income under license agreements is recognised when amounts have been earned through the achievement of specific milestones set forth in those agreements and the costs to attain those milestones have been incurred by the Company. A minority of the license agreements provide that if the Company materially breaches the agreement or fails to achieve required milestones, the Company would be required to refund all or a specified portion of the income received under the agreement. No provision is included for repayments of such income if the directors consider that this eventual