THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice as soon as possible from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Asterand Shares, please send this document and the accompanying Form of Proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, this document should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction.

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. This document has been prepared for the purposes of complying with English law and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside of England.

Asterand plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered no. 3355618)

Proposed acquisition of BioSeek, Inc.

and

Notice of Extraordinary General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman which is set out on pages 6 to 12 of this document and which recommends that you vote in favour of the resolutions to be proposed at the General Meeting referred to below. Part II of this document, entitled “Risk Factors”, includes a discussion of certain risk factors which might affect the value of your shareholding in Asterand and which should be taken into account in considering the matters referred to in this document.

New Asterand Shares will be issued to certain BioSeek Shareholders pursuant to the Acquisition. Applications will be made to the UKLA for the New Asterand Shares to be admitted to the Official List and to the London Stock Exchange for the New Asterand Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. It is expected that, subject to the satisfaction of certain conditions, including the approval of Asterand Shareholders and Completion, Admission will become effective on 23 February 2010. Upon Admission the New Asterand Shares will rank *pari passu* in all respects with the existing issue of Ordinary Shares of Asterand and will rank in full for all dividends or other distributions thereafter declared, made or paid on the Ordinary Shares of Asterand. The New Asterand Shares have not been and will not be registered under the US Securities Act of 1933 or with any securities regulatory authority of any state or other jurisdiction.

Notice of the General Meeting, to be held at 2 Orchard Road, Royston, Hertfordshire, SG8 5HD at 10.00 a.m. on 18 February 2010, is set out on pages 73 to 76 of this document and a Form of Proxy for use in connection with the General Meeting is enclosed with this document. Whether or not you intend to attend the General Meeting in person, please complete and sign the enclosed Form of Proxy in accordance with the instructions printed on it and return it to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU as soon as possible and, in any event, by no later than 10.00 a.m. on 16 February 2010. The completion and return of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you so wish and are so entitled.

If you hold Asterand Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Capita Registrars (CREST participant ID RA10), so that it is received by no later than 10.00 a.m. on 16 February 2010. The completion and return of a CREST Proxy Instruction will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you so wish and are so entitled.

Cenkos, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for Asterand as Financial Adviser and Sponsor in relation to the Acquisition and is not advising any other person and accordingly will not be responsible to any person other than Asterand for providing the protections afforded to the clients of Cenkos or for providing advice in relation to the matters described in this document.

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. Generally, the words ''will'', ''may'', ''should'', ''continue'', ''believes'', ''expects'', ''intends'', ''anticipates'' or similar expressions identify forward-looking statements. These statements are based on the current expectations of the Directors and are naturally subject to risks, uncertainties and changes in circumstances. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and management's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements and you are referred to Part II (*Risk Factors*) of this document in this regard.

Asterand does not undertake any obligation (except as required by the Listing Rules, the Disclosure and Transparency Rules, the rules of the London Stock Exchange and by law) to revise or update any forward-looking statement contained in this document, regardless of whether that statement is affected as a result of new information, future events or otherwise.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Circular	2 February 2010
Latest time and date for receipt of Form of Proxy/ CREST Proxy Instruction	10.00 a.m. on 16 February 2010
General Meeting	10.00 a.m. on 18 February 2010
Completion of the Acquisition	18 February 2010
Issue of New Asterand Shares	18 February 2010
Admission of New Asterand Shares	8.00 a.m. on 23 February 2010

The dates given are based on Asterand's current expectations and may be subject to change.

All references in this document to times are to London time unless otherwise stated.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

DIRECTORS
Jack Davis *(Chairman)*
Martyn Coombs *(Chief Executive Officer)*
John Stchur *(Chief Financial Officer)*
Dr. Peter Coggins *(Non-Executive Director)*
Jonathan Fleming *(Non-Executive Director)*
Jill Force *(Non-Executive Director)*
Ian Ratcliffe *(Non-Executive Director)*
Robert Salisbury *(Non-Executive Director)*

COMPANY SECRETARY
John Stchur

REGISTERED OFFICE
2 Orchard Road
Royston
Hertfordshire
SG8 5HD

FINANCIAL ADVISER, SPONSOR AND BROKER TO ASTERAND
Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

LEGAL ADVISER TO ASTERAND
Bird & Bird LLP
15 Fetter Lane
London
EC4A 1JP

AUDITORS TO ASTERAND AND REPORTING ACCOUNTANTS
PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge
CB3 0AN

REGISTRARS
Capita Registrars Limited
34 Beckenham Road
Beckenham
Kent
BR3 4TU

PART I

LETTER FROM THE CHAIRMAN OF ASTERAND

Asterand plc

(Incorporated and registered in England and Wales with registered number 3355618)

Registered Office:
2 Orchard Road
Royston
Hertfordshire
SG8 5HD

2 February 2010

To Asterand Shareholders, and, for information only, to holders of options over Ordinary Shares

Dear Shareholder,

PROPOSED ACQUISITION OF BIOSEEK, INC.
AND NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

On 18 November 2009, Asterand announced that it had entered into a conditional agreement to acquire all of the fully diluted issued share capital of BioSeek, a leader in the application of predictive human biology to drug discovery through its proprietary human primary cell based disease models, for an initial consideration of $1.0 million (£0.6 million), payable in New Asterand Shares. A further payment of up to $13.0 million (£8.1 million) will be payable in 2011 depending on the level of sales growth achieved by BioSeek in the twelve months ended 31 December 2010. If any such further payment is made, the first $3.0 million (£1.9 million) of such payment will be paid in New Asterand Shares, and any additional payment will be paid in either cash or New Asterand Shares, at Asterand's discretion.

In view of its size, the acquisition of BioSeek constitutes a Class 1 transaction for Asterand for the purposes of the Listing Rules and accordingly Completion is subject to, amongst other things, Asterand Shareholder approval which will be sought at the General Meeting convened for 10.00 a.m. on 18 February 2010 at 2 Orchard Road, Royston, Hertfordshire, SG8 5HD. A shareholder resolution will also be proposed at the General Meeting which will, if passed, give the Directors authority to allot the New Asterand Shares in connection with the Acquisition. This authority will be in addition to the Directors' existing authority to allot Asterand Shares.

I am therefore writing to you to give you further details of the Acquisition, including the reasons for it, to explain why the Board considers it to be in the best interests of Asterand and its shareholders as a whole and to seek your approval of the Resolutions. The Board, having taken advice from Cenkos, its Sponsor and Financial Adviser on the Acquisition, unanimously recommends that Shareholders vote in favour of the Resolutions set out in the notice of General Meeting at the end of this document.

2. BACKGROUND TO AND REASONS FOR THE ACQUISITION

Asterand is a leading global supplier of high quality, well characterized human tissue and human tissue-based research services to drug discovery scientists. The Company has previously stated its strategy of consolidating its leadership position in the global human tissue and human tissue based services market, both organically and through strategically placed acquisitions. The acquisition of BioSeek is Asterand's first step in this "buy and build" strategy.

The Board of Asterand believe that Asterand and BioSeek are highly complementary businesses, with BioSeek's assay systems extending the range of human tissue-based products and services currently provided by Asterand. The Board also believes that BioSeek's BioMAP® platform is well positioned to exploit the trend to high throughput and content screening using human primary cells, as its patents and proprietary know-how create barriers to entry. Furthermore, the Board believes that BioSeek will benefit from being part of the Enlarged Group, as this will allow BioSeek to leverage off the Enlarged Group's established relationships with pharmaceutical companies for whom BioSeek's products will be an attractive addition. Additionally, the Enlarged Group believes that through these relationships it can also expand on the licensing of BioSeek's BioMAP® platform. The Enlarged Group will also benefit from operational synergies between the Company and BioSeek, including scientific synergies between BioMAP® and existing PhaseZERO® services and the Company's ability to procure tissue types to provide a source of material for new BioMAP® assays. As part of the Enlarged Group, the Directors also believe that Asterand will benefit from the BioSeek platform, which is automated and easily expanded, following investment in equipment and facilities.

3. INFORMATION RELATING TO BIOSEEK

BioSeek is a privately held drug discovery services company that has developed proprietary human primary cell based, high throughput assay systems (BioMAP®) designed to replicate the intricate cell and pathway interactions present in inflammatory, autoimmune and cardiovascular diseases. The system helps to predict clinical activities of a potential drug candidate through comparison of assay results to a proprietary database of data profiles for known compounds. The BioMAP® platform provides pharmaceutical companies with actionable data to guide their lead selection and optimization programmes.

BioSeek is located in South San Francisco, California and has 14 employees. The company was founded in 2000 by Dr. Eugene Butcher, Professor of Pathology, Stanford University, Dr. Rolf Ehrhardt, a former Senior Scientist at Protein Design Lab and current President and CEO of BioCision, Dr. Warren Strobber, M.D., Senior Investigatior and Chief, Mucosal Immunity Section, NIAID, NIH and Dr. Ellen Berg, who is currently BioSeek's Chief Scientific Officer and a former Senior Scientist at Protein Design Lab and a Post-Doctoral Fellow at Stanford. In addition to service revenue, BioSeek's growth has been financed by lead venture investors Bay City Capital and Fremont Ventures and a research collaboration and strategic investment by Amylin Pharmaceuticals, Inc. In addition to Amylin, BioSeek has had collaborations with numerous pharmaceutical and biotechnology companies including Merck-Serono, UCB, and Dainippon Sumitomo. BioSeek is also a Phase I & II funded contractor with the United States Environmental Protection Agency's ToxCast® Program.

BioSeek's key managers, including Dr. Ellen Berg, BioSeek's Chief Scientific Officer, and Dr. Ivan Plavec, Vice President of Business Development, will be joining Asterand's senior management team. In addition, BioSeek's CEO Dr. Mike Venuti has agreed to act as a consultant to Asterand for a transition period following completion.

Consolidated financial information

The historical financial information of BioSeek for the years ended 31 December 2006, 2007 and 2008 as reported on by the Reporting Accountants is set out in Part III of this document.

As at 31 December 2008, BioSeek had cash and cash equivalents of $3.9 million and total assets of $10.1 million. For the twelve months ended 31 December 2008, BioSeek's revenue was $3.2 million and it made a loss before tax of $6.3 million (as extracted without material adjustment from the historical financial information on BioSeek in Part III of this document). Shareholders should read the whole of this document and not just rely on the summarised information above.

Current trading

During 2009 BioSeek's losses after tax and rate of cash burn have reduced from 2008 as a result of revenue being at or above that achieved in 2008 and operating costs having been significantly reduced. The Directors believe that further measures to control expenditure can be implemented in 2010. The Enlarged Group's costs will be largely fixed and there is ample capacity to produce further revenue. Combined with the synergies described in paragraph 2 above, the Directors believe that the BioSeek operations can become profitable in the medium term.

4. FINANCIAL EFFECTS OF THE ACQUISITION

The unaudited pro forma statement of net assets is included in Part IV of this document. It has been prepared to illustrate the effect on the consolidated net assets of the Asterand Group of the Acquisition as if it had completed on 30 June 2009.

The results of BioSeek will be consolidated in the Group's financial statements for the 2010 financial year. The Directors believe the benefits of the Acquisition for the Group include the opportunity to extend the range of human tissue-based products and services provided by Asterand and to provide wider distribution channels, allowing the Group to expand its client base, increase its revenues and deliver strong operational efficiencies. As part of the Enlarged Group, the Directors believe that the BioSeek operations can become profitable, and therefore beneficial to the Enlarged Group's earnings, in the medium term.

5. SUMMARY OF THE ACQUISITION AND ITS TERMS

Consideration

The Acquisition is structured as a merger under California law. The equity holders of BioSeek entitled to receive the consideration payable by Asterand under the Acquisition Agreement will receive the consideration summarised below.

The consideration payable by Asterand for the Acquisition will comprise a sum of $1.0 million payable on Completion which will be satisfied by the issue of New Asterand Shares as more fully described below (the "Initial Consideration"), and a sum of up to $13.0 million subject to the BioSeek 2010 Revenue exceeding certain agreed levels as more fully described below (the "Contingent Payment").

The Initial Consideration will be satisfied by the issue of 2,695,856 New Asterand Shares, being the number of New Asterand Shares equal to $1.0 million divided by the average of the per share closing prices of Ordinary Shares on the London Stock Exchange during the thirty (30) consecutive trading day period ended on 17 November 2009, converted into U.S. dollars at the exchange rate for purchasing U.S. dollars with pound sterling as quoted in the Financial Times on such date.

As additional consideration for the Acquisition, Asterand will make the Contingent Payment, consisting of New Asterand Shares, or a combination of New Asterand Shares and cash, shortly after 31 December 2010, determined as follows:

(a) if the BioSeek 2010 Revenue is less than $4.0 million, the Contingent Payment will be an amount equal to (A) 0.75 multiplied by BioSeek's 2010 Revenue minus (B) $1.0 million, which will be payable only in Ordinary Shares;

(b) if the BioSeek 2010 Revenue is equal to or greater than $4.0 million, the Contingent Payment will be an amount equal to (A) $3.6 million plus (B) the product of 2.5 multiplied by the amount by which the BioSeek 2010 Revenue exceeds $4.0 million minus (C) $1.0 million, which amount will be payable in Ordinary Shares or a combination of Ordinary Shares and cash at the election of Asterand. The value of any Ordinary Share issuable in respect of the Contingent Payment will be $0.371 in respect of the first $3.0 million of Ordinary Shares issued, and in respect of each Ordinary Share issued thereafter, the average of the per share closing prices of Ordinary Shares on the London Stock Exchange during the thirty (30) consecutive trading day period ending on 31 December 2010, converted into U.S. dollars at the exchange rate for purchasing U.S. dollars with pound sterling quoted in the Financial Times on such date. It is not therefore possible currently to determine the maximum number of Ordinary Shares which may be issuable in respect of a Contingent Payment in excess of $3.0 million as this is dependent on the share price and exchange rate prevailing during December 2010.

An example of the Contingent Payment payable at certain BioSeek 2010 Revenue levels is set out below:

BioSeek 2010 Revenue $000	*Initial Consideration $000*	*Contingent Payment $000*	*Total $000*	*Revenue Multiple*
2,000	1,000	500	1,500	0.75
3,000	1,000	1,250	2,250	0.75
4,000	1,000	2,600	3,600	0.90
5,000	1,000	5,100	6,100[1]	1.22
6,000	1,000	7,600	8,600	1.43
8,000	1,000	12,600	13,600	1.70
10,000	1,000	13,000	14,000[2]	1.40
12,000	1,000	13,000	14,000[2]	1.17

1. *The unaudited pro forma statement of net assets included at Part IV of this document has used an estimated total consideration of $6.1 million, which is based on the Directors current best estimate of BioSeek's 2010 revenue.*
2. *Contingent payment limited to $13.0 million and total purchase price limited to $14.0 million.*

The aggregate value of the Contingent Payment shall not exceed $13.0 million, and once such value has been reached, the right to receive any additional Contingent Payment will terminate.

Terms of the Acquisition Agreement

Under the terms of the Acquisition Agreement, Completion is conditional on, amongst other things:

(a) approval of the Acquisition by Asterand Shareholders in general meeting;

(b) approval of the Acquisition by BioSeek Shareholders;

(c) there being no material breach of the Warranties;

(d) there being no government intervention which prevents the Acquisition from proceeding (although it is not anticipated that any specific government clearance is required);

(e) there having occurred no event which had or would reasonably be expected to have a material adverse effect on BioSeek's financial position, results of operations, business or prospects or which would materially impair the ability of BioSeek to perform its obligations under the Acquisition Agreement;

(f) each of the parties having performed in all material respects their obligations under the Acquisition Agreement required to be performed before Completion; and

(g) filing of the appropriate certificates of merger with the California Secretary of State.

Assuming the various conditions to the Acquisition are satisfied, the Board expects Completion to occur on 18 February 2010.

The terms of the Acquisition Agreement are summarised in Part V (*Principal Terms of the Acquisition*).

Application will be made for Admission in respect of the 2,695,856 New Asterand Shares which are to be allotted and issued on Completion. It is expected that Admission will become effective and dealings in the New Asterand Shares will commence on the London Stock Exchange at 8.00 a.m. on 23 February 2010. The New Asterand Shares will rank *pari passu* with the existing Ordinary Shares.

6. INFORMATION RELATING TO THE ASTERAND GROUP

Asterand is a leading supplier of high quality human tissue and tissue-based services. Asterand's comprehensive approach to human tissue and research services offers pharmaceutical, biotech and diagnostic companies the unique opportunity to have one company meet all of their human biomaterial needs along the continuum of drug discovery and development. Asterand's mission is to accelerate target discovery and compound validation and enable pharmaceutical and biotechnology companies to take safer and more effective drugs into the market.

7. CURRENT TRADING, TRENDS AND PROSPECTS OF ASTERAND

On 18 November 2009 Asterand released an Interim Management Statement in which it announced that as at 30 September 2009, Asterand achieved revenue of £9.1 million. The corresponding revenue for 2008 (excluding a non-recurring licensing payment) was £8.0 million and contained £1.1 million relating to a one year contract that ended in December 2008. Asterand continued to control its expenditures while maintaining strong cash resources, with cash at 30 September 2009 of £5.2 million and no long term debt.

The Interim Management Statement also maintained that whilst overall demand for human tissue was increasing, some customers appeared to be delaying larger purchases, or breaking larger purchases into smaller units bought over time. On 15 January 2010, Asterand announced that "this has proven to be correct, and an order of approximately £0.7 million, which the Directors expected to receive in 2009, has been delayed. There will be a corresponding impact on 2009 income and cash flow. The Company is pleased to report that it has a strong pipeline of business and, whilst the Directors remain cautious of market conditions over the coming months, they remain confident in the strong growth prospects for the sector and are excited by the prospects for Asterand."

During 2009, Asterand made additional strategic investments which will realise benefits in future years. These included investments in:

- Expanding the Group's global supply network – it now has 86 supplier collaborations.
- Supporting the Group's competitive position in the US courts vs. competitors.
- Preparation for anticipated acquisitions.

8. RISK FACTORS

Your attention is drawn to the risk factors set out in Part II (*Risk Factors*) of this document.

9. ASTERAND GENERAL MEETING

The Acquisition is conditional upon, among other things, the approval of Asterand Shareholders in the General Meeting. Set out at the end of the document is a notice convening the General Meeting as an extraordinary general meeting of Asterand. The General Meeting will be held at 2 Orchard Road, Royston, Hertfordshire, SG8 5HD at 10.00 a.m. on 18 February 2010 and the following Resolutions, which are required in connection with the Acquisition, will be proposed:

Resolution 1: to approve the Acquisition and to give the Directors (or a duly authorised committee of the Directors) authority to take all steps necessary to complete and give effect to the Acquisition and the documents referred to in the Acquisition Agreement; and

Resolution 2: to authorise the Directors, conditional on the passing of Resolution 1, to allot Asterand Shares in accordance with section 551 of the Companies Act 2006. The authority is in addition to the authority to allot Asterand Shares granted at the Company's 2009 Annual General Meeting and is limited to the allotment of Asterand Shares pursuant to the Acquisition. The Authority is divided into two parts, as follows:

- authority to allot 2,695,856 Asterand Shares, representing approximately 2.4 per cent. of the Company's issued ordinary share capital as at 1 February 2010, being the last practicable date prior to publication of this document. This authority will enable Asterand to allot sufficient Asterand Shares to satisfy the Initial Consideration and will expire at the conclusion of the next Annual General Meeting of the Company; and
- authority to allot 8,087,568 Asterand Shares, representing approximately 7.1 per cent. of the Company's issued ordinary share capital as at 1 February 2010, being the last practicable date prior to publication of this document. This authority will enable Asterand to satisfy the Contingent Payment up to a maximum amount of $3.0 million, although there can be no certainty as to the actual amount of the Contingent Payment, which may be more or less than this amount. If the amount of the Contingent Payment is more than $3.0 million, it is Asterand's intention that this authority will, in conjunction with the authority to allot Asterand Shares which will be proposed at Asterand's Annual General Meeting in 2010 (when the authority to allot Asterand Shares granted at the Company's 2009 Annual Meeting expires), be utilised to enable Asterand to allot any additional Asterand Shares which the Company elects to issue to satisfy the Contingent Payment. The actual number of Asterand Shares required to satisfy the Contingent Payment will depend on a number of factors, as more particularly described in paragraph 4.2 of Part V. The authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2012.

Both Resolutions will be proposed as ordinary resolutions, requiring a simple majority of votes to be cast in favour. Completion of the Acquisition is conditional on the passing of Resolution 1. The full text of the Resolutions is set out in the notice convening the General Meeting at the end of this document.

10. LISTING AND DEALINGS

Application will be made to the UKLA for the New Asterand Shares to be admitted to the Official List and application will be made to the London Stock Exchange for the New Asterand Shares to be admitted to the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective on 23 February 2010.

11. ACTION TO BE TAKEN

If you are an Asterand Shareholder, you will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether you intend to be present at the General Meeting or not, you are asked to complete the Form of Proxy in accordance with the instructions printed thereon and to return it to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU as soon as possible and, in any event, so as to be received by 10.00 a.m. on 16 February 2010. **If you hold Asterand Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Capita Registrars (CREST participant ID RA10), so that it is received by no later than 10.00 a.m. on 16 February 2010.** The completion and return of the Form of Proxy or a CREST Proxy Instruction will not preclude you from attending the General Meeting and voting in person if you wish to do so.

If the Form of Proxy is not returned or the CREST Proxy Instruction is not submitted by 10.00 a.m. on 16 February 2010, your vote will not count.

12. FURTHER INFORMATION

Your attention is drawn to the information concerning the risks relating to Asterand, BioSeek and the Enlarged Group and the other risk factors set out in Part II of the document and to the further information contained in Parts III to VI of this document.

13. RECOMMENDATION

Your Board, which has been so advised by its Financial Advisors, Cenkos, considers the Resolutions to be in the best interests of Asterand and the Asterand Shareholders as a whole and accordingly unanimously recommends that Asterand Shareholders vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings of 28,350,861 Asterand Shares representing approximately 25 per cent. of the existing issued ordinary share capital of Asterand. In providing advice to the Board, Cenkos has taken into account the commercial assessments of the Board.

Yours faithfully,

Jack Davis
Chairman

PART II

RISK FACTORS

This Part II addresses certain risks to which the Group and, following Completion, the Enlarged Group (as appropriate) are exposed and which could adversely affect the business, results of operations, cash flow, turnover, profits, assets, liquidity and/or capital resources of the Group or the Enlarged Group. The Directors consider the following risks to be the most significant for investors in the Company. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group and, following Completion, the Enlarged Group. If any of these events occur, the business, financial condition, results of operations of the Group and, following Completion, the Enlarged Group could be materially and adversely affected by the manifestation of any of the risks described below. In such cases, the market price of the Ordinary Shares may decline and investors may lose all or part of their investment. Prior to voting on the Acquisition, Shareholders should consider these risks carefully, together with all the other information set out in this document. You should read the whole of this document and not rely solely on the information set out in this section.

A. RISKS ASSOCIATED WITH THE ACQUISITION NOT PROCEEDING

Satisfaction of the conditions of Completion

Completion is subject to, *inter alia*, the approval of Asterand Shareholders at the General Meeting. If Completion does not occur, the Group may experience a delay in the achievement of its strategic objectives and would nonetheless be obliged to pay approximately £603,000 (including irrecoverable VAT) of costs (primarily due diligence and advisory fees) incurred in connection with the Acquisition.

B. RISKS ASSOCIATED WITH THE ACQUISITION

Asterand’s ability to integrate BioSeek effectively and fully realise the benefits of the Acquisition

The success of the Enlarged Group may in part be dependent upon Asterand’s ability to integrate BioSeek without any significant disruption to the businesses. The integration may take longer or prove more costly than anticipated. Any such issues would adversely affect the financial position of the Enlarged Group, and ultimately the trading price of the Ordinary Shares.

Asterand may need to rely on certain key management of the Enlarged Group to integrate BioSeek

The future success of the Enlarged Group will, in part, be dependent upon the successful integration, retention and motivation of key members of the Enlarged Group’s management and personnel staff. Failure to retain certain individuals may affect Asterand’s ability to successfully integrate BioSeek into the Enlarged Group. This may have a detrimental impact on the future performance of the Enlarged Group.

BioSeek’s revenue stems from a small number of key clients

BioSeek’s revenue stems from a few large contracts and certain client relationships do represent significant sources of revenue. The loss of revenue from one or more of these clients could significantly impact BioSeek’s financial results.

BioSeek is currently loss making

BioSeek has a history of operating losses. Although BioSeek's operating costs have already been significantly reduced from 2008 levels and the Directors believe that further measures to control expenditure can be implemented in 2010, there can be no guarantee that BioSeek will become profitable as part of the Enlarged Group.

Asterand may not realise the desired synergy benefits from the Acquisition

There is a risk that synergy benefits from the Acquisition may fail to materialise, or they may be materially lower than have been estimated. In addition, the costs of funding those synergies may exceed expectations. Such eventualities may have a material effect on the financial position of the Enlarged Group.

Shareholders may have their holdings diluted by the Acquisition

As well as the Initial Consideration, which is payable in New Asterand Shares, any Contingent Payment that is required may be paid in Asterand Shares. Should the Contingent Payment be required and the Contingent Payment made in Asterand Shares, Shareholders' interests in Asterand will be diluted. The number of Asterand Shares to be issued in respect of amounts of Contingent Payment in excess of $3.0 million are determined by reference to the share price during December 2010 and to exchange rates prevailing on 31 December 2010. Adverse movement in such prices and rates may increase the level of dilution of Shareholders' interests.

C. RISKS ASSOCIATED WITH THE GROUP AND, FOLLOWING COMPLETION, THE ENLARGED GROUP

Supply risk

The Group depends, and following Completion, the Enlarged Group will depend, on securing an adequate supply of human tissue and related data to meet research demands. Demand for the quantity and type of human tissue may vary. All source sites are subject to rigorous ethical and quality control standards and it therefore can be time consuming to expand the supply network. To the extent that supply does not meet demand or supply sources are concentrated geographically and subject to political or other forces in these regions, the existing revenue of the Enlarged Group could be adversely affected and additional revenue growth may not be achieved.

Risk of loss of key management or personnel

The Group is and, following Completion, the Enlarged Group will continue to be highly reliant on the continued services of its key personnel, who have skills which are critical to the continued successful operation of the Enlarged Group. Failure to retain such individuals, or to attract and retain strong management and technical staff in the future could have an adverse effect upon the Enlarged Group's business and its results.

The risk of injury or illness to the Group's employees and, following Completion, the Enlarged Group's employees, could lead to the Group and, following Completion, the Enlarged Group failing to achieve objectives, which could have an adverse effect on the financial condition or results of operations of the Group and, following Completion, the Enlarged Group.

Key customers

The Group benefits, and following Completion, the Enlarged Group will continue to benefit from, certain customers that represent a significant source of revenue.

The loss of revenue from one or more of these customers could significantly impact the financial results.

Loss of key suppliers

Given the nature of the Enlarged Group's operations, its future performance is reliant on the preservation or enhancement of existing relationships with its key suppliers. The loss of a major supplier would have a significant detrimental impact upon the performance of the Group and, following Completion, the Enlarged Group.

Operational risk

The Group faces, and following Completion, the Enlarged Group will face, a risk of loss resulting from, among other factors, systems failure, theft, fraud and natural disaster. Operational risk of this kind can occur in many forms including, among others, errors, business interruptions, inappropriate behaviour of, or misconduct by, employees of the Group and, following Completion, the Enlarged Group, or those contracted to perform services for the Group and, following Completion, the Enlarged Group, and third parties that do not perform in accordance with their contractual agreements. These events could result in financial losses or other damage to the Group and, following Completion, the Enlarged Group. Furthermore, the Group relies on, and following Completion, the Enlarged Group will rely on, internal and external information technology systems to manage its operations and is exposed to risk of loss resulting from breaches in the security, or other failures, of these systems which could have an adverse effect upon the trading performance of the Group and, following Completion, the Enlarged Group.

The Group's approach, and following Completion, that of the Enlarged Group, to operational risk management is intended to reduce the risk of such loss. To monitor and manage operational risk, the Group maintains, and following Completion, the Enlarged Group will maintain, a framework of internal controls designed to provide a sound and well-controlled operational environment. The Group strives to maintain appropriate levels of operational risk relative to its businesses' strategies, its competitive and regulatory environment, and the markets in which it operates. The Group is indemnified, to the extent to which the Board considers reasonable, under insurance policies and programmes for those operating risks that can be mitigated through the purchase of insurance. Nevertheless, notwithstanding these control measures and this insurance coverage, the Group and, following Completion, the Enlarged Group remains exposed to operational risk that could negatively impact their business and results of operations.

Acquisition risk

Part of the Group's strategy is to expand its business further through acquisitions of other businesses. Acquisitions will require the integration of new operations into the Group's business.

If the Group fails to integrate its acquisitions successfully, this could have a material adverse effect on its business, financial condition and operating results.

Economic risks

General public confidence about future economic conditions or the performance of Asterand or its suppliers or customers may impact on the ability or desire of others to trade with the Group and, following Completion, the Enlarged Group and result in a downturn in customer demand or affect the ability of the Enlarged Group to meet customer demand.

The Company may require additional funding in the longer term (being not less than 12 months from the date of this document)

Both BioSeek and, with the exception of 2008, Asterand, have a history of operating losses. Although the Directors believe that the Acquisition will be beneficial to the Enlarged Group's earnings in the medium term, were these losses to continue it may be necessary to seek additional funds through debt financing or through equity financing (though in any case not before 12 months from the date of this document). There is no certainty that such funds would be available and if such funds were not available there is a risk that the Company would not be able to offset the effect on any continuing losses and, as a result, be unable to continue trading activities. Any such further financings, if available at all, may be on terms that are not favourable to the Company.

In the case of financing through the issue of new equity in the longer term (being not less than 12 months from the date of this document) shareholders' stakes in the Company could become diluted. In addition, such securities may have rights, preferences and privileges that are senior to those of existing ordinary shares.

Foreign currency risk

The Group operates, and following Completion, the Enlarged Group will operate, from sites in the UK and US. Approximately two-thirds its staff and assets are located at the US site with the remaining third at the UK facility. The Group receives a significant proportion of its revenue in currencies other than in Sterling; in particular it receives significant revenue in US dollars. Consequently, movement in foreign currency exchange rates could adversely affect earnings, cash flow and the financial position of the Enlarged Group.

Interest rate risks

Interest rate risk is the risk that the Group and, following Completion, the Enlarged Group will sustain losses from adverse movements in interest bearing assets and liabilities. The Group has an exposure to interest rate risk arising principally from changes in Euro, Pounds Sterling and US dollar interest rates. The Group does not hedge against its interest rate risk.

Competition risk

The Group faces, and following Completion, the Enlarged Group will face, competition from alternate suppliers of human tissue samples and from organisations providing similar contract research services. To the extent that these organisations gain market share this could reduce the commercial opportunity the Enlarged Group could exploit. In addition, the Enlarged Group could face internal competition from within its clients which could limit the commercial opportunity available. This is because some pharmaceutical companies source human tissue samples directly from donor site hospitals and/or conduct applied research on human tissue samples, rather than outsourcing this work to organisations such as Asterand.

Handling risk

The Group and, following Completion, the Enlarged Group receives, ships, and handles human tissue samples. In addition, it operates scientific research laboratories to acquire, process and conduct scientific research on such samples and in the process receives experimental drug candidates from client companies. In conducting experiments, the Company handles materials which are potentially hazardous to health. In the conduct of such work, the Group has established stringent health and safety standard operating procedures to protect its staff. The Group maintains Biosafety level II laboratories which recommends universal precautions are taken to ensure against accidental exposure to health hazards. This includes the use of personal protective equipment ("PPE") and biological safety cabinets for use with human tissue. In addition, the staff are required to attend training sessions on the use of PPE, and the mitigation of transmission risks of communicable and infectious diseases. There remains a risk of exposure which might cause personal injury, which could be disruptive to the operations of the Enlarged Group and/or give rise to financial liabilities which are material to the Enlarged Group.

International trade risk

The Group derives and, following Completion, the Enlarged Group will continue to derive a significant part of its revenue from customers outside the UK. Asterand expects that its sales will continue to be made across a number of territories and as a result, in common with other multi-national organisations, the occurrence of any negative economic, political or geographical events in these locations could have a material impact on revenues. This in turn could cause the Enlarged Group's business to be harmed. These international trade risks include:

- fluctuations in exchange rates;
- unexpected changes in regulatory environments;
- imposition of tariffs and other barriers and restrictions; and
- changes in foreign company law.

Regulatory risk

The Group's operations are subject to laws and regulations. If the Group fails to comply with the laws and regulations that are applicable to its business, it could suffer civil and/or criminal penalties or it could be required to cease operations. There can be no assurance that its operations will not be subject to increased regulations or laws which could have an adverse effect on the Group's business. There can be no assurance that the Group will be able to comply with any new regulations or laws to which it might become subject.

Tax risk

Any changes to current UK and international taxation legislation (including corporate, personal, capital and indirect taxation), the interpretation of such legislation by tax authorities as well as changes to accounting standards, may impact on the Company's and consequently the Group's and, following Completion, the Enlarged Group's projected activities, financial situation and results. There is also a risk of unexpected tax costs through the failure of tax planning or challenge by tax authorities of the bases of transfer pricing.

Possible volatility of the price of the Ordinary Shares

The market price of the Ordinary Shares may be affected by a variety of factors such as changes in sentiment regarding the Ordinary Shares, variations in the Group's and, following Completion, the Enlarged Group's operating results compared with the expectations of market analysts and investors, its business developments or those of its competitors, the operating performance of its competitors, speculation about the Group's and, following Completion, the Enlarged Group's business, or regulatory changes affecting the Group's and, following Completion, of the Acquisition, the Enlarged Group's operations. Shareholders should be aware that the value of the Ordinary Shares can go down as well as up and may not always reflect the underlying asset value or prospects of the Group and, following Completion, the Enlarged Group.

PART III

FINANCIAL INFORMATION ON BIOSEEK, INC

SECTION A: ACCOUNTANT'S REPORT IN RESPECT OF THE HISTORICAL FINANCIAL INFORMATION RELATING TO BIOSEEK, INC.

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2 February 2010

Dear Sirs

BioSeek, Inc.

We report on the financial information set out in Section B of this Part III "Historical financial information on BioSeek, Inc." (the "**IFRS Financial Information Table**"). The IFRS Financial Information Table has been prepared for inclusion in the circular dated 2 February 2010 (the "**Circular**") of Asterand plc (the "**Company**") on the basis of the accounting policies set out in paragraph 1 of Section B Historical Financial Information on BioSeek Inc. This report is required by item 13.5.21R of the Listing Rules and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the IFRS Financial Information Table in accordance with IFRS as adopted by the European Union.

It is our responsibility to form an opinion as to whether the IFRS Financial Information Table gives a true and fair view for the purposes of the Circular and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the circumstances of BioSeek, Inc., consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the IFRS Financial Information Table gives, for the purposes of the Circular dated 2 February 2010, a true and fair view of the state of affairs of BioSeek, Inc. as at the dates stated and of its losses, cash flows and recognised income and expense for the years then ended in accordance with IFRS as adopted by the European Union and has been prepared in a form that is consistent with the accounting policies adopted in the Company's latest annual accounts.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION B: HISTORICAL FINANCIAL INFORMATION ON BIOSEEK, INC.

INCOME STATEMENT
FOR THE THREE YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006

	2008	*2007*	*2006*
	$	*$*	*$*
REVENUE (Note 3)	3,194,484	3,212,017	2,676,612
Cost of sales	(1,646,860)	(1,434,413)	(921,738)
GROSS PROFIT	1,547,624	1,777,604	1,754,874
Research and development costs	(2,349,793)	(2,215,278)	(1,876,686)
General and administrative expenses			
– Normal operations	(3,404,561)	(1,578,583)	(1,315,543)
– Exceptional items (severance costs) (Note 6)	–	(250,000)	–
– Total general and administrative expenses	(3,404,561)	(1,828,583)	(1,315,543)
Total operating expenses	(5,754,354)	(4,043,861)	(3,192,229)
OPERATING LOSS	(4,206,730)	(2,266,257)	(1,437,355)
Financial income (Note 7)	132,803	310,451	57,342
Finance cost (Note 7)	(2,240,092)	(1,799,670)	(1,170,604)
LOSS BEFORE TAXATION (Note 5)	(6,314,019)	(3,755,476)	(2,550,617)
Taxation (Note 8)	–	–	–
LOSS FOR THE FINANCIAL YEAR	(6,314,019)	(3,755,476)	(2,550,617)

BioSeek has financed its development primarily through the issuance of redeemable convertible preference shares to venture capital investors. These preference shares attract a non-cash interest charge at high rates reflecting the rates of return expected by venture capitalists on investments of this nature. The use of these redeemable convertible preference shares has resulted in fewer shares outstanding than would be outstanding if its investors had subscribed for ordinary shares. Historical financing costs have been impacted as a consequence of this method of financing through higher interest expense. The preference shares, including accumulated interest, will convert into the right to receive a pro-rata portion of the consideration payable by Asterand on completion of the transaction.

BALANCE SHEET
AS OF 31 DECEMBER 2008, 2007 AND 2006

	2008	*2007*	*2006*
	$	*$*	*$*
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment (Note 9)	3,899,030	764,759	609,749
Other long-term assets (Note 10)	1,924	23,270	23,270
	3,900,954	788,029	633,019
CURRENT ASSETS:			
Trade and other receivables (Note 11)	2,002,742	1,744,569	338,481
Other financial assets (Note 12)	247,000	–	–
Cash and cash equivalents (Note 13)	3,924,623	8,778,209	2,235,176
	6,174,365	10,522,778	2,573,657
LIABILITIES			
CURRENT LIABILITIES:			
Trade and other payables (Note 14)	2,616,676	2,746,444	1,056,782
Financial liabilities – finance leases (Note 15)	11,213	2,391	–
Financial liabilities – current portion of long-term debt (Note 16)	160,911	143,320	63,340
	2,788,800	2,892,155	1,120,122
NET CURRENT ASSETS	3,385,565	7,630,623	1,453,535
NON-CURRENT LIABILITIES –			
Trade payables (Note 17)	–	30,741	–
Financial liabilities:			
Finance lease obligations (Note 15)	30,889	16,121	–
Long-term debt (Note 16)	55,309	216,220	171,218
Other long-term liabilities (Note 17)	–	4,362	7,740
Deferred rent (Note 18)	2,948,642	–	–
Preference share liabilities (Note 19)	22,277,030	20,080,158	11,539,853
Net liabilities	(18,025,351)	(11,928,950)	(9,632,257)
SHAREHOLDERS' EQUITY:			
Ordinary shares (Note 21)	2,820,785	2,717,621	2,667,902
Preference shares (Note 21)	3,018,767	3,018,767	1,747,229
Warrant reserve (Note 21)	28,400	28,400	28,400
Retained losses	(23,893,303)	(17,693,738)	(14,075,788)
Total deficit	(18,025,351)	(11,928,950)	(9,632,257)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE YEARS ENDED 31 DECEMBER 2008, 2007, AND 2006

	Share Capital $	*Preference Shares* $	*Warrant Reserve* $	*Retained Loss* $	*Total Equity (Deficit)* $
At – 1 January 2006	2,660,473	1,669,207	28,400	(11,606,584)	(7,248,504)
Equity component of preference share issue	–	78,022	–	–	78,022
Loss for the financial year	–	–	–	(2,550,617)	(2,550,617)
Share option compensation	–	–	–	81,413	81,413
Proceeds from new shares issued during the year	7,429	–	–	–	7,429
At – 31 December 2006	2,667,902	1,747,229	28,400	(14,075,788)	(9,632,257)
Equity component of preference share issuance	–	1,271,538	–	–	1,271,538
Loss for the financial year	–	–	–	(3,755,476)	(3,755,476)
Share option compensation	–	–	–	137,526	137,526
Proceeds from new shares issued during the year	49,719	–	–	–	49,719
At – 31 December 2007	2,717,621	3,018,767	28,400	(17,693,738)	(11,928,950)
Loss for the financial year	–	–	–	(6,314,019)	(6,314,019)
Share option compensation	–	–	–	114,454	114,454
Proceeds from new shares issued during the year	103,622	–	–	–	103,622
Repurchase of ordinary shares from investor	(458)	–	–	–	(458)
At – 31 December 2008	2,820,785	3,018,767	28,400	(23,893,303)	(18,025,351)

CASH FLOW STATEMENT
FOR THE THREE YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006

	2008	*2007*	*2006*
	$	*$*	*$*
CASH FLOWS FROM OPERATIONS:			
Cash used by operations	(1,471,298)	(1,635,959)	(673,336)
Bank interest paid (Note 7)	(39,076)	(44,635)	(17,938)
Interest element of finance lease rental payments	(4,144)	(330)	(219)
Net cash used by operations	(1,514,518)	(1,680,924)	(691,493)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received (Note 7)	132,803	310,451	57,342
Purchase of property, plant and equipment	(3,169,547)	(311,777)	(266,020)
Increase in other financial assets (Note 12)	(247,000)	–	–
Net cash used in investing activities	(3,283,744)	(1,326)	(208,678)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of ordinary share capital	98,520	46,342	17,882
Proceeds from borrowings	–	210,696	224,560
Proceeds from issue of preference shares	–	8,057,137	290,250
Debt and finance lease principal payments	(153,844)	(88,892)	(87,489)
Net cash (used in) received from financing activities	(55,324)	8,225,283	445,203
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,853,586)	6,543,033	(454,968)
CASH AND CASH EQUIVALENTS – Beginning of year	8,778,209	2,235,176	2,690,144
CASH AND CASH EQUIVALENTS – End of year (Note 13)	3,924,623	8,778,209	2,235,176
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATIONS:			
Operating loss	(4,206,730)	(2,266,257)	(1,437,355)
Depreciation charge (including loss on disposal)	270,535	188,407	181,226
Share option compensation charge	114,454	137,526	81,413
Increase in trade and other receivables	(230,578)	(1,403,087)	(13,238)
Increase in trade and other payables	2,581,021	1,707,452	514,618
CASH USED BY OPERATIONS	(1,471,298)	(1,635,959)	(673,336)

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE THREE YEARS ENDED 31 DECEMBER 2008, 2007, AND 2006

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

Incorporation and History – BioSeek, Inc. ("BioSeek") is a drug discovery and development company focused on validation of disease-related biological targets and development and commercialisation of human therapeutics through its human systems biology platform. BioSeek is a privately held company incorporated in September 1999 in the State of California, USA, with its business located at 310 Utah Avenue, Suite 100, South San Francisco, California, USA.

Operations substantially commenced in April 2000 and have consisted principally of technology and product development and initial business development activities. Operational activity for the period from 1 September 1999 (date of incorporation) to April 2000 was immaterial. Since commencement of operations, BioSeek's activities have primarily consisted of establishing its offices and research facilities, conducting research and development, recruiting management and technical personnel, obtaining financing, and providing services on an as-contracted basis. Accordingly, BioSeek is considered to be in the development stage at 31 December 2008.

Going concern

These accounts have been prepared on the going concern basis on the assumption that following the acquisition by Asterand plc, sufficient funds to support the working capital of BioSeek will be available. However, in the absence of the BioSeek acquisition completing, there would be significant doubt over BioSeek's ability to continue operations on a going concern basis.

Basis of Preparation – These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and endorsed by 31 December 2008 and those parts of the Companies Act 1985 applicable to BioSeek's reporting under IFRS. These are BioSeek's first set of financial statements prepared in accordance with IFRS. BioSeek has elected 1 January 2006 as its transition date.

Transition to IFRS – From 1999 to 31 December 2008, BioSeek prepared its financial statements under U.S. generally accepted accounting principles ("U.S. GAAP"). As part of its transition to IFRS, BioSeek has elected to apply the share based payment election under IFRS 1, *First time Adoption of International Financial Reporting Standards*, only to account for awards under IFRS 2, *Share-Based* Payments, which were granted after 7 November 2002 and were not vested at 1 January 2006, BioSeek's transition date to IFRS.

The following is a reconciliation of equity as of 1 January 2006:

	U.S. GAAP *$*	*Effect of transition to IFRS* *$*	*IFRS* *$*
Assets			
Non-current assets:			
Property, plant and equipment	499,413	–	499,413
Other long term assets	32,867	–	32,867
	532,280	–	532,280
Current assets:			
Trade and other receivables	305,645	–	305,645
Cash and cash equivalents	2,690,144	–	2,690,144
	2,995,789	–	2,995,789
Liabilities			
Current liabilities:			
Trade and other payables	513,906	–	513,906
Financial liabilities – finance leases	2,723	–	2,723
Financial liabilities – current portion of long-term debt	84,766	–	84,766
	601,395	–	601,395
Net current assets	2,394,394	–	2,394,394
Non-current liabilities – financial liabilities			
Preference share liabilities (Note a,b)	11,784,913	(1,609,735)	10,175,178
Net liabilities	(8,858,239)	1,609,735	(7,248,504)
Shareholders' equity:			
Ordinary shares	2,660,473	–	2,660,473
Preference shares	–	1,669,207	1,669,207
Additional paid-in capital/Warrant reserve (Note a)	6,333,085	(6,304,685)	28,400
Retained losses (Note c, b)	(17,851,797)	6,245,213	(11,606,584)
Total deficit	(8,858,239)	1,609,735	(7,248,504)

a. Under IAS 32, convertible preference shares that are in substance convertible debt should be split between a liability and equity component at the date of issuance. Under US GAAP, the entire amount is recorded as a liability. BioSeek calculated the equity component of preference shares series AA at $1,111,500 and series BB at $557,707 for a total reclassification to equity on transition to IFRS of $1,669,207.

b. Due to the adjustment in Note a, additional accretion charge was recorded on the preference share liability totalling $59,472.

c. Adjustments were recorded to transfer the accretion and conversions of preference share liabilities totalling $6,275,147 from additional paid in capital to retained loss and adjustments relating to non employee share option compensation totaling $29,538 also transferred from additional paid in capital to retained loss, which had no net impact to total deficit.

The following are reconciliations of equity as of 31 December 2008 and net loss, which was equivalent to total comprehensive income for the period through 31 December 2008:

	U.S. GAAP *$*	*Effect of transition to IFRS* *$*	*IFRS* *$*
Assets			
Non-current assets:			
Property, plant and equipment	3,899,030	–	3,899,030
Other long term assets	1,924	–	1,924
	3,900,954	–	3,900,954
Current assets:			
Trade and other receivables	2,002,742	–	2,002,742
Restricted cash	247,000	–	247,000
Cash and cash equivalents	3,924,623	–	3,924,623
	6,174,365	–	6,174,365
Liabilities			
Current liabilities:			
Trade and other payables (Note e)	2,606,053	10,623	2,616,676
Financial liabilities – finance leases	11,213	–	11,213
Financial liabilities – current portion of long-term debt	160,911	–	160,911
	2,778,177	10,623	2,788,800
Net current assets	3,396,188	(10,623)	3,385,565
Non-current liabilities – financial liabilities			
Finance lease obligations	30,889	–	30,889
Long-term debt	55,309	–	55,309
Other long term liabilities	–	–	–
Deferred rent	2,948,642	–	2,948,642
Preference share liabilities (Note g)	24,050,358	(1,773,328)	22,277,030
Net liabilities	(19,788,056)	1,762,705	(18,025,351)
Shareholders' equity:			
Ordinary shares	2,820,785	–	2,820,785
Preference shares (Note d, f, g)	–	3,018,767	3,018,767
Additional paid-in capital			
Warrant reserve (Note d, f, g)	2,746,033	(2,717,633)	28,400
Retained losses (Note d, e, f, g)	(25,354,874)	1,461,571	(23,893,303)
Total deficit	(19,788,056)	1,762,705	(18,025,351)

Notes to the reconciliation of equity:

d. Under IFRS 2, the compensation charge for a graded vesting plan is recognised on an accelerated basis to reflect the vesting as it occurs. Under U.S. GAAP, BioSeek had previously elected to amortise the entire grant on a straight-line basis over the longest vesting period. Net adjustment from transition to 31 December 2008 was a $2,388 increase in share option compensation expense. Additionally, under IFRS, BioSeek has recorded share-based payment expense to retained losses rather than to additional paid-in capital as required under U.S. GAAP. The cumulative adjustment to additional paid-in capital and retained losses through 2008 was $360,543 which includes the $2,388 increase.

e. Under IFRS 2, payroll tax liability is recognised on the intrinsic value of share options as of the grant date or as services are provided over the vesting period whereas the liability is recognised in the period the tax is levied under U.S. GAAP. The net adjustment to other current liabilities for 2008 was $10,623.

f. Under IAS 32, accretion of preference share liabilities to redemption value should be charged to finance cost whereas under U.S. GAAP, the accretion was charged to additional paid-in capital to the extent it does not cause the balance in that account to fall below zero, otherwise the accretion would be charged to retained loss. The net adjustments for the reclassification of accretion and conversions up to 31 December 2008 was $2,357,090.

g. Under IAS 32, convertible preference shares that are in substance convertible debt should be split between a liability and equity component at the time of issuance. Under U.S. GAAP, the entire amount is recorded as a liability. BioSeek calculated the equity component of preference shares series AA at $1,111,500, series BB at $635,729, and series C at $1,271,538 for a total reclassification of $3,018,767. Due to this reclassification, BioSeek incurred an increase in the accretion of the preference shares totalling $1,245,439 up to 31 December 2008.

Reconciliation of loss for the financial year, which equals net loss, for the year ended 31 December 2008.

	Note	*U.S. GAAP*	*Effect of Transition to IFRS*	*IFRS*
REVENUE		3,194,484	–	3,194,484
Cost of sales		(1,646,860)	–	(1,646,860)
GROSS PROFIT		1,547,624	–	1,547,624
Research and development costs	h	(2,351,320)	1,527	(2,349,793)
General and administrative expenses	h, i	(3,382,823)	(21,738)	(3,404,561)
Total operating expenses		(5,734,143)	(20,211)	(5,754,354)
OPERATING LOSS		(4,186,519)		(4,206,730)
Financial income		132,803		132,803
Finance cost	j, k	(43,220)	(2,196,872)	(2,240,092)
LOSS BEFORE TAXATION		(4,096,936)	(2,217,083)	(6,314,019)
Taxation		–	–	–
LOSS FOR THE FINANCIAL YEAR		(4,096,936)	(2,217,083)	(6,314,019)

Notes to reconciliation of loss for the financial year

h. Under IFRS 2, payroll tax liability is recognised on the intrinsic value of share options as of the grant date or as services are provided over the vesting period whereas the liability is recognised in the period the tax is leveled under U.S. GAAP. In 2008, a net reduction of $12,478 to payroll tax expense was recorded.

i. Under IFRS 2, the compensation charge for a graded vesting plan is recognised on an accelerated basis to reflect the vesting as it occurs. Under U.S. GAAP, BioSeek had previously elected to amortise the entire grant on a straight-line basis over the longest vesting period. Net adjustment for 2008 was a $32,689 increase in share compensation expense.

j. Under IAS 32, accretion of preference share liabilities to redemption value should be charged to finance cost whereas under U.S. GAAP, the accretion was charged to additional paid-in capital to the extent it does not cause the balance in that account to fall below zero, otherwise the accretion would be charged to retained loss. The net adjustment for 2008 was $1,611,778.

k. Due to the reclassification of the equity portion of preference shares (Note g), finance costs increase by $585,094 in 2008.

Net U.S. GAAP to IFRS adjustments to cash flow statement for the period ended 31 December 2008.

Loss before tax increased by $2,217,083; trade and other payables increased by $12,478; share option compensation increase by $32,689; and financial costs increased by $2,196,872, with no net impact to cash used from operating activities.

Future announcements

The following IFRS and IFRIC interpretations and amendments, which are relevant to BioSeek, have been issued by the International Accounting Standards Board ("IASB") but are not yet effective. None is likely to have a material effect on BioSeek's results of operations or financial position.

IFRS 8, Operating segments, replaces IAS 14, *Segmental Reporting*, and requires a "management approach" under which segment information is presented on the same basis as that used for the internal reporting purposes.

IFRS 2 (amendment), *Share-Based Payment*, clarifies that vesting conditions are service conditions and performance conditions only.

IAS 36 (amendment) *Impairment of Assets*, which requires that where fair value cost to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

IAS 1 (Revised) *Presentation of Financial Statements*, mandates various presentation formats and disclosures, many of which are consistent with the way in which BioSeek currently presents its financial statements.

IFRS 9 *Financial Instruments* has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is fair value through profit or loss. This is unlikely to have a significant impact on BioSeek.

There are a number of minor amendments to IFRS 7, *Financial Instruments Disclosure*, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, IAS 10 'Events after the reporting period', IAS 18, *Revenue*, and IAS 34, *Interim financial reporting*, which are part of the IASB's annual improvements project published in May 2008. These amendments are unlikely to have an impact on BioSeek's accounts and have, therefore, not been analyzed in detail.

The following standards, interpretations, and amendments are not yet effective and not relevant for BioSeek's operations:

- IAS 23 (amendment), 'Borrowing costs'
- IAS 32 (amendment), 'financial instruments: Presentation'

- IFRS1 (amendment) “First time adoption of IFRS”
- IAS 27 (revised), ‘Consolidated and separate financial statements’
- IFRS 3 (revised), ‘Business combinations’
- IFRS 5 (amendment), ‘Non-current assets held-for-sale and discontinued operations’
- IAS 28 (amendment), ‘Investments in associates’
- IAS 38 (amendment), ‘Intangible assets’
- IAS 19 (amendment), ‘Employee benefits’
- IAS 39 (amendment), ‘Financial instruments: Recognition and measurement’
- IFRIC 9 (amendment), ‘Reassessment of Embedded Derivatives’
- IFRIC 12, ‘Service concession arrangements’
- IFRIC 13 ‘Customer loyalty programmes relating to IAS 18, ‘Revenue’
- IFRIC 14 ‘Agreements for construction of real estates’
- IFRIC 15, IAS 19 ‘The limit on a defined benefit asset, minimum funding requirements and their interaction’
- IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’
- IFRIC 16, ‘Hedges of a net investment in a foreign operation’
- IFRIC 17, ‘Distribution of non-cash assets of owners’
- IFRIC 18 ‘Transfer of assets to customers’
- IFRS 9 ‘Financial Instruments’

Use of Estimates – The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying BioSeek’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where presumptions and estimates are significant in the financial statements, are disclosed in Note 2.

Basis of Accounting – The financial statements are prepared in accordance with the historical cost convention and have been prepared on a basis consistent with the IFRS accounting policies as set out below.

Functional and Presentation Currency – The presentation currency of BioSeek is the U.S. dollar ($).The functional currency of BioSeek is that of the primary economic environment in which it operates.

Revenue Recognition – BioSeek provides research and development services using its BioMAP® Profiling Technology. BioSeek’s research and development service agreements generally call for up front payments and milestone payments. Up-front payments received in connection with research and development services are deferred and recognised on a straight-line basis over the relevant periods specified in the agreement. Adjustments are made when evidence suggests that the revenue is earned or obligations are fulfilled in a different pattern over the contractual term of the arrangement or the expected period during which those specific services will be performed, whichever is longer.

Research and Development – Research and development consists of costs incurred for BioSeek-sponsored, collaborative, and contracted research and development activities. These costs consist of direct costs and research-related overhead costs and include salaries, contractor and consultant fees, research supplies, and facilities and administrative cost allocations.

BioSeek also incurs costs associated with the development of its human system biology platform called BioMAP® Profiling Technology. IAS 38, *Intangible Assets*, requires an entity to expense all research costs and recognise an intangible asset for development costs, whether purchased or self-created (at cost), if an entity can demonstrate all of the following:

a. The technical feasibility of completing the intangible asset so that it will be available for use or sale.

b. Its intention to complete the intangible asset and use or sell it.

c. Its ability to use or sell the intangible asset.

d. How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

e. The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

f. Its ability to measure reliably the expenditure attributable to the intangible asset during its development

BioSeek has not met these criteria, therefore, all research and development costs have been expensed as incurred.

Operating Leases and Deferred Rent – Costs in respect of operating leases are charged on a straight-line basis over the lease term. Benefits, such as rent-free periods, received and receivable as incentives to take on operating leases are spread on a straight-line basis over the lease term, or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rent. The excess is recorded as a deferred credit in early periods of the lease, when cash payments are generally lower than straight line rent expense, and is reduced in the later periods of the lease when payments begin to exceed the straight line expense.

Leasehold improvements made by BioSeek that have been funded by landlord incentives or allowances under an operating lease are recorded as deferred rent and amortised as reductions to lease expense over the lease term.

Finance Leases – Leases of property, plant and equipment where BioSeek has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in financial liabilities. The interest element of the finance cost is charged to the income statement account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of useful life of the asset and the lease term.

Post-employment Benefits – Retirement benefits to employees are provided by defined contribution pension scheme commonly known as a 401(k) plan. The assets of these schemes are held separately from those of BioSeek in independently administered funds. It is solely funded by the employees as BioSeek makes no matching contributions.

Property, Plant and Equipment – Property, plant and equipment are shown at historical cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to allocate the cost of property, plant and equipment on a straight line basis to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the shorter of the asset's useful life or the term of the lease
Plant and machinery	3–7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Trade and Other Receivables – Trade receivables are recognised initially at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that BioSeek will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Cash and Cash Equivalents – BioSeek considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. BioSeek's cash and cash equivalents are maintained with one financial institution, and cash equivalents consist of money market funds. Financial instruments that potentially subject BioSeek to concentrations of credit risk consist principally of cash and cash equivalents. BioSeek places all of its cash equivalents with high-credit quality issuers.

Restricted Cash – Restricted cash consists of cash that is restricted by agreements with third parties for special purposes. BioSeek currently maintains restricted cash as a deposit for a credit card provider and as a security deposit for an irrevocable standby letter of credit for the benefit of the current landlord.

Deferred Taxation – Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements in accordance with IAS 12 'Income taxes.' Deferred tax assets are recognised to the extent that it is probable that they are recoverable. Deferred tax assets and liabilities are not discounted.

Compound financial instruments – The component parts of compound instruments issued by BioSeek are classified separately as financial liabilities and equity, in accordance with the substance of the contract. Preference shares are recorded as both liabilities and equity as the instrument is in substance convertible debt. The fair value of the preference share liability is calculated using the discounted cash flows method with the remaining proceeds recording as equity. In computing the fair value of preference share liability, BioSeek utilised an interest rate of 11.03 per cent. for the preference series AA and BB and an interest rate of 11.49 per cent. for the preference series CC shares. The earliest redemption date of each series was used in determining the term of the instruments. The difference between the fair value of the preference share liability on the date of issuance and the redemption amount has been accounted for as an accretion of preference shares to redemption value. BioSeek accretes equal portions of this difference and related issuance costs over the period from issuance to the relevant redemptions dates. The periodic accretion amount is calculated using the effective interest rate method and is charged to financial costs.

Share warrants – For warrants to purchase preference shares granted in 2002 in connection with an equipment financing agreement, the fair value of this warrant was determined using the Black-Scholes valuation model. The fair value of the warrant was expensed as financial costs over the period of the financing commitment

Share Options – BioSeek operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are to become exercisable. At each balance sheet date, BioSeek revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

BioSeek's option scheme allows for the grant of certain options that may be exercised before they have vested. Shares issued as a result of early exercise are subject to a repurchase option by BioSeek, at the original exercise price, upon termination of the purchaser's employment or services. The consideration received for early exercises is considered to be a deposit of the exercise price and the related dollar amount is recorded as a liability. The shares and liability are only reclassified into equity as the award vests.

Impairment of Long-Lived Assets – BioSeek reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. If indicators of impairment exist, an impairment loss is recognised when the asset's recoverable amount is less than its carrying value. When circumstances indicate that the asset has recovered, any previous impairment charge is reversed through the income statement. No asset impairment charges were recorded from incorporation of BioSeek through the year ended 31 December 2008.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying BioSeek's accounting policies. The notes to the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial statements, such as the following:

Revenue Recognition – Invoicing patterns are non-standard and vary from contract to contract – for example, up-front payments, progress payments and final payments on delivery of reports. Revenue recognition therefore requires the use of judgment by BioSeek when determining the progress of a project and its estimated term. Management uses either the terms of the contract or a best estimate of delivery date to determine the estimated term of a project. Project progress is tracked at a task level on a monthly basis throughout the duration of the project. Where work is performed consistently across the duration of the project, revenue is recognised evenly across the estimated term. Each month, management perform a review to identify any contracts where work is performed unevenly across the duration of the project. In these cases, revenue is recognised on an estimated percentage completion basis. Actual results may differ from management's estimates, which would have an impact on revenue recognised for the period.

Share-Based Payments – BioSeek uses the Black-Scholes option-pricing model to determine the fair value of share option grants. This valuation model for share compensation expense requires BioSeek to make assumptions and judgments about the variables used in the calculation, including the expected term, the volatility of the ordinary share price, an assumed risk-free interest rate, and the estimated forfeitures of unvested share options. These assumptions are set out in note 22. Changes to the assumptions would impact the fair value of the share option grants.

Preference Shares – Preference shares issued by BioSeek are split between their liability and equity components on the date of issuance as these instruments are, in substance, convertible debt. The fair value of the liability component at date of issuance is calculated through the use of a discounted cash flow model and the residual allocated to the equity component. The key inputs to the discounted cash flow model are (i) the redemption value, (ii) the term from issuance to the redemption date and (iii) the interest rate for a similar instrument excluding the equity features. As (i) and (ii) are specified in the subscription agreement, it is (iii) which forms the key area of judgement. BioSeek has utilised an interest rate of 11.03 per cent for the preference series AA and BB and an interest rate of 11.49 per cent for the preference series CC shares based on a 3 – 5 year treasury rate (depending on the redemption term of the preference series) plus the credit spread noted in loans made to BioSeek in the same timeframe. Changes to the interest rate used in the discounted cash flow model would impact the split between liabilities and equity for each preference share series, as well as the accretion charge each year.

3. SEGMENTAL REPORTING

Primary Reporting Segment – *Business Segment* – The directors are of the opinion that under IAS 14 – 'Segmental information' BioSeek has only one business segment, being the validation of disease related biological targets through its human systems biology platform. All revenues and costs are recorded in the income statement under this segment.

Secondary Reporting Segment – *Geographical Segment* – As BioSeek's activities are based in North America, there is only one geographical segment, determined by location of operations. The sales analysis below is based on the location of the customer:

	Revenue			*Segment Assets*			*Capital Expenditure*		
	2008	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*
	$	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*
United States of America	1,976,157	2,419,734	2,094,086	10,075,319	11,310,807	3,206,676	3,404,806	343,417	291,562
United Kingdom	179,245	173,890	40,000	–	–	–	–	–	–
Rest of Europe	366,667	410,808	292,526	–	–	–	–	–	–
Japan	280,000	–	–	–	–	–	–	–	–
Canada	392,415	207,585	250,000	–	–	–	–	–	–
	3,194,484	3,212,017	2,676,612	10,075,319	11,310,807	3,206,676	3,404,806	343,417	291,562

4. EMPLOYEE INFORMATION

The average monthly number of persons (including executive directors) employed by BioSeek during the year was as follows:

		Number	
	2008	*2007*	*2006*
By activity:			
Research and development	12	10	9
Sales and marketing	2	2	1
Administration	3	3	2
	17	15	12

Staff costs for BioSeek for the above persons during the year were as follows:

	2008	*2007*	*2006*
	$	*$*	*$*
Wages and salaries	2,058,898	1,846,858	1,452,827
Social security costs	279,938	317,239	329,567
Share-based payments	114,454	137,526	81,413
	2,453,290	2,301,623	1,863,807

Key Management Compensation – The directors are of the opinion that there are no other key management personnel other than the board of directors. These persons have the authority and responsibility for planning, directing, and controlling the activities of BioSeek.

	2008	*2007*	*2006*
	$	*$*	*$*
Salaries and short-term employee benefits	365,188	369,824	322,601
Severance cost	–	250,000	–
Share-based payments	83,337	55,362	42,808
	448,525	675,186	365,409

Directors' Emoluments –

	2008	*2007*	*2006*
	$	*$*	*$*
Salaries and short-term employee benefits	365,188	369,824	322,601
Severance cost	–	250,000	–
	365,188	619,824	322,601

Highest Paid Director –

	2008	*2007*	*2006*
	$	*$*	*$*
Salaries and short-term employee benefits	311,736	257,728	273,553
Severance cost	–	250,000	–
	311,736	507,728	273,333

Directors' Interest in Share Options:

				2008			
Directors	*As at 1 January 2008*	*Granted in the Year*	*Exercised in the Year*	*Lapsed in the Year*	*At 31 December 2008*	*Exercise Price $*	*Expiry Date*
E Butcher	4,577	–	–	–	4,577	6.83	9 June 2014
E Butcher	30,395	–	–	–	30,395	0.38	1 August 2017
M Gallatin	25,329	–	–	(6,333)	18,996	0.10	18 November 2015
M Gallatin	12,500	–	–	(4,167)	8,333	0.38	1 August 2017
P Staple	4,577	–	–	(4,577)	–	6.83	8 January 2012
P Staple	405,271	–	(405,271)	–	–	0.10	29 November 2015
P Staple	151,976	–	(151,976)	–	–	0.38	1 August 2017
M Venuti	684,070	–	–	–	684,070	0.38	16 November 2017
	1,318,695	–	(557,247)	(15,077)	746,471		

Directors	As at 1 January 2007	Granted in the Year	Exercised in the Year	Lapsed in the Year	2007 At 31 December 2007	Exercise Price $	Expiry Date
E Butcher	4,577	–	–	–	4,577	6.83	9 June 2014
E Butcher	405,271	–	(405,271)	–	–	0.10	29 November 2015
E Butcher	–	30,395	–	–	30,395	0.38	1 August 2017
M Gallatin	25,329	–	–	–	25,329	0.10	18 November 2015
M Gallatin	–	12,500	–	–	12,500	0.38	1 August 2017
P Staple	4,577	–	–	–	4,577	6.83	9 June 2014
P Staple	405,271	–	–	–	405,271	0.10	29 November 2015
P Staple	–	151,976	–	–	151,976	0.38	1 August 2017
M Venuti	–	684,070	–	–	684,070	0.38	16 November 2017
	845,025	878,941	(405,271)	–	1,318,695		

Directors	As at 1 January 2006	Granted in the Year	Exercised in the Year	Lapsed in the Year	2006 At 31 December 2006	Exercise Price $	Expiry Date
E Butcher	4,577	–	–	–	4,577	6.83	9 June 2014
E Butcher	405,271	–	–	–	405,271	0.10	29 November 2015
M Gallatin	25,329	–	–	–	25,329	0.10	18 November 2015
P Staple	4,577	–	–	–	4,577	6.83	9 June 2014
P Staple	405,271	–	–	–	405,271	0.10	29 November 2015
R Whitfield	151,977	–	(151,977)	–	–	0.10	18 November 2015
	997,002	–	(151,977)	–	845,025		

5. LOSS BEFORE TAXATION

The following items have been charged in arriving at loss before taxation:

	2008 *$*	*2007* *$*	*2006* *$*
Depreciation of property, plant and equipment:			
Owned assets	238,772	151,250	135,011
Assets held under finance lease	23,528	34,882	45,636
Other operating lease rentals payable – property	740,170	362,592	362,596
Repairs and maintenance expenditure on property, plant and equipment	75,597	34,758	33,764
Research and development expenditure	2,349,793	2,215,278	1,876,686

Services Provided by BioSeek's Auditor and Network Firms – During the year, BioSeek obtained the following services from its auditor, at costs detailed below.

	2008 *$*	*2007* *$*	*2006* *$*
Auditors' remuneration:			
Audit services – fees payable to BioSeek's auditor for the audit of BioSeek's accounts	36,970	–	–
Non-audit services – other services relating to taxation	–	–	–

6. EXCEPTIONAL EXPENSES

Unusual and/or one time general and administrative expenses incurred outside the normal course of business are classified as exceptional items.

Exceptional items comprised the following:

	2008 $	2007 $	2006 $
Severance cost	–	250,000	–

2007 severance cost relates to a payment to the former Chief Executive Officer.

7. FINANCIAL INCOME – NET

	2008 $	2007 $	2006 $
Financial income – interest receivable on short-term deposits	132,803	310,451	57,342
Financial costs – interest payable and similar charges:			
Bank interest payable	(39,076)	(44,634)	(17,938)
Finance lease interest payable	(4,144)	(330)	(219)
Financial accretion of preferred shares	(2,196,872)	(1,754,706)	(1,152,447)
Total interest payable	(2,240,092)	(1,799,670)	(1,170,604)
Financial income – net	(2,107,289)	(1,489,219)	(1,113,262)

8. TAXATION

No corporation tax liability arose on the results for the years ended 31 December 2006, 2007, and 2008, due to losses incurred.

The tax credit for the year is different to the standard rate of corporation tax. The differences are explained below:

	2008 $	2007 $	2006 $
Loss on ordinary activities before tax	(6,314,019)	(3,755,476)	(2,550,617)
Profit/(loss) before tax multiplied by the combined effective tax rate of 40% in the United States	(2,525,608)	(1,502,190)	(1,020,247)
Effects of:			
Expenses not deductible for tax purposes	1,302,361	810,398	597,722
Tax losses for which no deferred tax asset was recognised	1,223,247	691,792	422,525
Total tax for the period	–	–	–

Unrecognised Deferred Tax

The following are the major deferred tax liabilities and assets recognised by BioSeek and movements thereon during the current and prior reporting periods:

	Accelerated Tax Depreciation	*Preference Shares and Other*	*R&D Tax Credit*	*Share Based Payment*	*Tax Losses*	*Total*
	$	*$*	*$*	*$*	*$*	*$*
Cumulative balance						
At – 1 January 2006	35,926	(412,407)	703,246	–	5,934,642	6,261,407
Amounts calculated	16,990	(612,363)	146,000	–	871,898	422,525
At – 1 January 2007:	52,916	(1,024,770)	849,246	–	6,806,540	6,683,932
Amounts calculated	(68,574)	(402,128)	205,649	120,795	836,050	691,792
At – 1 January 2008:	(15,658)	(1,426,898)	1,054,895	120,795	7,642,590	7,375,724
Amounts calculated	(118,359)	(760,806)	541,377	55,546	1,505,489	1,223,247
At – 31 December 2008	(134,017)	(2,187,704)	1,596,272	176,341	9,148,079	8,598,971

The Accelerated Tax Depreciation and Preference Shares and Other columns represents the entirety of BioSeek's deferred tax liabilities. Deferred tax assets in relation to carry forward losses have been recognised only to the extent necessary to offset this deferred tax liability.

No further deferred tax asset has been recognised in respect of the entire operating losses due to the unpredictability of future profit streams.

At 31 December 2008, BioSeek had net operating loss carryforwards for federal income tax purposes of approximately $23.0 million (2007: $19.1 million, 2006: $17.0 million), which expire beginning in 2020, if not utilised, and federal research and development tax credit carryforwards of approximately $0.9 million (2007: $0.7 million, 2006: $0.5 million), which expire beginning in 2020, if not utilised. In addition, BioSeek had net operating loss carryforwards for state income tax purposes of approximately $23.0 million (2007: $19.1 million, 2006 $17.0 million), which expire beginning in 2010, if not utilised, and state research and development tax credit carryforwards of approximately $0.7 million (2007: $0.5 million, 2006: $0.4 million), which do not expire.

Utilisation of net operating loss and tax credit carryforwards may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of net operating loss and tax credits before utilisation.

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements *$*	*Plant and Equipment* *$*	*Total* *$*
Cost:			
At 1 January 2006	3,649	1,168,162	1,171,811
Additions	–	291,562	291,562
Disposals	–	(1,300)	(1,300)
At 31 December 2006	3,649	1,458,424	1,462,073
Accumulated depreciation:			
At 1 January 2006	3,649	668,749	672,398
Charge for year	–	181,149	181,149
Disposals	–	(1,223)	(1,223)
At 31 December 2006	3,649	848,675	852,324
Net book value at 31 December 2006	–	609,749	609,749

Assets held under finance leases have the following net book amount:

	Total *$*
Plant and equipment:	
Cost	322,361
Aggregate depreciation	(250,948)
Net book value	71,413

	Leasehold Improvements *$*	*Plant and Equipment* *$*	*Total* *$*
Cost:			
At 1 January 2007	3,649	1,458,424	1,462,073
Additions	–	343,417	343,417
Disposals	–	(10,399)	(10,399)
At 31 December 2007	3,649	1,791,442	1,795,091
Accumulated depreciation:			
At 1 January 2006	3,649	848,675	852,324
Charge for year	–	186,132	186,132
Disposals	–	(8,124)	(8,124)
At 31 December 2007	3,649	1,026,683	1,030,332
Net book value at 31 December 2007	–	764,759	764,759

Assets held under finance leases have the following net book amount:

	Total *$*
Plant and equipment:	
Cost	341,050
Aggregate depreciation	(285,828)
Net book value	55,222

	Leasehold Improvements $	Plant and Equipment $	Total $
Cost:			
At 1 January 2008	3,649	1,791,442	1,795,091
Additions	3,066,370	338,436	3,404,806
Disposals	(3,649)	(142,017)	(145,666)
At 31 December 2008	3,066,370	1,987,861	5,054,231
Accumulated Depreciation:			
At 1 January 2008	3,649	1,026,683	1,030,332
Charge for year	46,703	215,597	262,300
Disposals	(3,649)	(133,782)	(137,431)
At 31 December 2008	46,703	1,108,498	1,155,201
Net book value at 31 December 2008	3,019,667	879,363	3,899,030

Assets held under finance leases have the following net book amount:

	Total $
Plant and equipment:	
Cost	368,915
Aggregate depreciation	(309,356)
Net book value	59,559

In November 2008, BioSeek relocated its headquarters from Burlingame, California, USA, to a new facility located in South San Francisco, California, USA. The 2008 leasehold improvements capital expenditure is related to this new location. See Note 18 deferred rent.

10. OTHER LONG TERM ASSETS

	2008 $	2007 $	2006 $
Rent security deposit	1,924	23,270	23,270

11. TRADE AND OTHER RECEIVABLES – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 $	2007 $	2006 $
Trade receivables	1,581,655	1,656,902	252,257
Less provision for impairment of receivables	–	–	–
Trade receivables – net	1,581,655	1,656,902	252,257
Other receivables	296,965	32,210	10,968
Prepayments	124,122	55,457	75,256
Current portion	2,002,742	1,744,569	338,481

The fair values of trade and other receivables are the same as their reported values.

Concentrations of credit risk with respect to trade receivables are limited due to BioSeek's customer base, which is chiefly comprised of major pharmaceutical companies. The directors, therefore, believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

As of 31 December 2008, trade receivables of $0 (2007: $25,000, 2006: $60,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008	*2007*	*2006*
	$	*$*	*$*
Up to three months	–	25,000	60,000

The carrying amounts of BioSeek's trade and other receivables are denominated in US dollars. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. BioSeek does not hold any collateral as security.

12. OTHER FINANCIAL ASSETS

	2008	*2007*	*2006*
	$	*$*	*$*
Certificate of deposit	247,000	–	–

BioSeek maintains restricted cash in an interest bearing monthly renewable certificate of deposit and an irrevocable standby letter of credit at a bank.

13. CASH AND CASH EQUIVALENTS

	2008	*2007*	*2006*
	$	*$*	*$*
Cash at bank and in hand	3,924,623	8,778,209	2,235,176

BioSeek maintains all cash and bank balances in U.S. dollar accounts with a major US-based bank. Cash and bank balances represent cash attracting interest at floating rates held in money market funds.

14. TRADE PAYABLES AND OTHER CURRENT NON-FINANCIAL LIABILITIES

	2008	*2007*	*2006*
	$	*$*	*$*
Trade payable	585,272	588,876	494,678
Other payables	23,456	22,596	12,896
Accruals	142,875	293,328	259,313
Deferred income	1,865,073	1,841,644	289,895
	2,616,676	2,746,444	1,056,782

BioSeek has the following undrawn borrowing facilities at GE Commercial Finance:

	2008	*2007*	*2006*
	$	*$*	*$*
Floating rate – expiring within one year	*	551,745	10,000,000

* During 2008, the lender declined to fund additional advances to the line of credit due to the decline in the credit market.

The facilities expiring within one year are annual facilities subject to review at various dates during 2006–2008. Certain property, plant and equipment are pledged as collateral under this facility. See Note 16.

15. FINANCIAL LIABILITIES – FINANCE LEASES

	2008 $	2007 $	2006 $
Other current liabilities:			
Finance lease obligations	11,213	2,391	–
Other non-current liabilities:			
Finance lease obligations	30,889	16,121	–
	42,102	18,512	–

The minimum lease payments under finance leases fall due as follows:

	2008 $	2007 $	2006 $
Not later than one year	17,643	6,095	–
Later than one year but not more than five years	37,984	23,872	–
Future finance charges on finance leases	(13,525)	(11,455)	–
Present value of finance lease liabilities	42,102	18,512	–

The effective interest rate on finance lease liabilities was 15 per cent. – 21 per cent. (2007: 21 per cent., 2006: N/A) at a fixed rate.

16. FINANCIAL LIABILITIES – LONG-TERM DEBT

In December 2006, BioSeek entered into an equipment line of credit with a lender who agreed to lend to BioSeek amounts aggregating up to $1,000,000 in a series of equipment advances. In August 2008, BioSeek entered into an amended security agreement with the lender to allow for an increase in the limit on the equipment line of credit from $1,000,000 up to $1,550,000. The anticipated funding period runs to 31 May 2009. Each loan shall bear a fixed rate of interest per annum equal to the three-year Treasury Constant Maturities Rate, plus 673 basis points on the date the note for such loan is prepared. Each of the loans is to be repaid over a period of 36 months. Obligations under this agreement are secured by the assets financed. During 2008, the lender declined to fund additional advances to the line of credit due to the decline in the credit market.

	2008 $	2007 $	2006 $
Current portion of long term-debt	160,911	143,320	63,340
Non-current portion of long-term debt	55,309	216,220	171,218
Total long-term debt	216,220	359,540	234,558

The maturity profile of the carrying amount of BioSeek's long-term debt was as follows:

	2008 $	2007 $	2006 $
In more than one year but less than two years	55,309	160,911	77,109
Between two and three years	–	55,309	94,109
	55,309	216,220	171,218

The effective interest rate for 2008 was 11.49 per cent. – 11.80 per cent. (2007: 11.49 per cent. – 11.80 per cent., 2006: 11.49 per cent.) at a fixed rate.

In April 2009, BioSeek paid off the entire outstanding balance of this long term debt prior to maturity.

17. NON-CURRENT TRADE PAYABLES AND OTHER LONG TERM LIABILITIES

	2008	*2007*	*2006*
	$	*$*	*$*
Other current liabilities:			
Finance lease obligations	11,213	2,391	–
Other non-current liabilities:			
Finance lease obligations	30,889	16,121	–
	42,102	18,512	–

	2008	*2007*	*2006*
	$	*$*	*$*
Long-term portion of unvested share option share liability	–	4,362	7,740
Long-term trade payables	–	30,741	–

The maturity profile of non-current trade payables and other long term liabilities was as follows:

	2008	*2007*	*2006*
	$	*$*	*$*
In more than one year but less than two years	–	35,103	7,740

18. DEFERRED RENT

BioSeek entered into a new operating lease in 2008 which entitles BioSeek to a one-time tenant improvement allowance in the amount of up to, but not exceeding, $2,762,956 (less coordination fee of $54,175). For the year ended 31 December 2008, $2,437,911 of tenant improvement allowance was received or was due from the landlord, of which approximately $56,222 was amortized and recorded as a reduction to rent expense. The amount recorded as a receivable for the year ended 31 December 2008 was $270,869.

Deferred rent also includes rent escalation, which represents the difference between actual operating lease payments due and straight-line rent expense, which is recorded by BioSeek over the term of the lease, including any construction period. The amount related to rent escalations was $296,083 as of and for the year ended 31 December 2008.

Net future amortization of deferred rent is as follows:

	2008	*2007*	*2006*
	$	*$*	*$*
Not later than one year	368,447	–	–
Later than one year but not more than five years	1,705,105	–	–
More than five years	875,090	–	–
	2,948,642	–	–

19. PREFERENCE SHARE LIABILITY

	Shares $	Share Amount $
At 1 January 2006	7,753,931	10,087,156
Issuance of Series BB mandatorily redeemable convertible preferred shares for cash net of $5,253 issuance cost	295,500	290,250
Accretion of mandatorily redeemable convertible preferred shares	–	1,152,447
At 31 December 2006	8,049,431	11,539,853
Series BB mandatorily redeemable preferred shares financing cost	–	(300)
Issuance of Series C mandatorily redeemable convertible preferred shares for cash net of $45,785 issuance cost	2,475,248	6,785,899
Accretion of mandatorily redeemable convertible preferred shares	–	1,754,706
At 31 December 2007	10,524,679	20,080,158
Accretion of mandatorily redeemable convertible preferred shares	–	2,196,872
At 31 December 2008	10,524,679	22,277,030

Future redemption of preference share liabilities is as follows:

	2008 $	2007 $	2006 $
Later than one year but not more than five years	24,050,358	22,438,580	13,032,992

Series AA – In August 2005, in conjunction with the Series BB financing (see below), BioSeek converted all outstanding Series A-1 and Series B shares to Series AA.

Each 40.803896 outstanding shares of Series A-1 preference shares converted to one share of Series AA. At the time, 3,141,900 outstanding shares of Series A-1 converted to 77,000 shares of Series AA preference shares.

Each 6.609958 outstanding shares of Series B preference shares converted to one share of Series AA. At the time, 25,269,869 outstanding shares of Series B converted to 3,823,000 shares of Series AA preference shares.

Series AA preference shareholders are entitled to noncumulative dividends at the annual rate of $0.08 per share, when and if declared by the board of directors, and payable in preference to ordinary share dividends. As of 31 December 2008, no dividends have been declared.

On the date of issuance, the fair value of the liability component of the Series AA shares was $6,532,500. Each share of preference shares is, at the option of the holder, convertible into one share of BioSeek's ordinary shares, subject to adjustment under antidilution provisions as defined in BioSeek's Articles of Incorporation. Conversion is automatic upon the earlier of (i) an underwritten public offering of BioSeek's ordinary shares in which the public offering price is not less than $4.04 per share and the aggregate proceeds raised exceed $30,000,000, or (ii) upon the written consent of holders of at least a majority of the outstanding shares of preference shares.

The Series AA preference shares are redeemable in equal instalments on 5 September 2010 and 5 September 2011, pursuant to receipt of a written request from the holders of at least a majority of the then outstanding Series AA preference shares. The redemption price for each share of Series AA preference shares repurchased shall be equal to \$2.9744, plus any declared but unpaid dividends. The difference between the fair value of the preference shares on the date of issuance and the redemption amount has been accounted for as an accretion of preference shares to redemption value. BioSeek is required to accrete equal portions of this difference and related issuance costs over the period from issuance to 5 September 2010 and 5 September 2011. The periodic accretion amount is calculated using the effective interest rate method at a fixed rate.

Series BB – In August 2005, BioSeek amended its Articles of Incorporation to authorize 5,000,000 shares of preference shares to be issued and designated as Series BB preference shares. From August 2005 to June 2006, BioSeek sold an aggregate of 4,149,500 shares of Series BB preference shares to various investors for net proceeds of approximately \$4,101,400. On the date of issuance, the fair value of the liability component of the Series BB shares was \$3,506,328.

Series BB preference shareholders are entitled to noncumulative dividends at the annual rate of \$0.08 per share, when and if declared by the board of directors, and payable in preference to ordinary share dividends. As of 31 December 2008, no dividends have been declared.

Each share of preference shares are, at the option of the holder, convertible into one share of BioSeek's ordinary shares, subject to adjustment under antidilution provisions as defined in BioSeek's Articles of Incorporation. Conversion is automatic upon the earlier of (i) an underwritten public offering of BioSeek's ordinary shares in which the public offering price is not less than \$4.04 per share and the aggregate proceeds raised exceed \$30,000,000, or (ii) upon the written consent of holders of at least a majority of the outstanding shares of preference shares.

The Series BB preference shares are redeemable in equal instalments on 5 September 2010 and 5 September 2011, pursuant to receipt of a written request from the holders of at least a majority of the then outstanding Series BB preference shares. The redemption price for each share of Series BB preference shares repurchased shall be equal to \$1.50, plus any declared but unpaid dividends. The difference between the purchase price and the redemption amount has been accounted for as an accretion of preference shares to redemption value. BioSeek is required to accrete equal portions of this difference and related issuance costs over the period from issuance to 5 September 2010 and 5 September 2011. The periodic accretion amount is calculated using the effective interest rate method at a fixed rate.

Series C – In May 2007, BioSeek amended its Articles of Incorporation to authorize 2,475,248 shares of preference shares to be issued and designated as Series C preference shares. In May 2007, BioSeek sold a total of 2,475,248 shares of Series C preference shares to one investor for net proceeds of approximately \$8,057,437. In connection with the sale of the Series C preference shares, BioSeek entered into a joint research collaboration agreement with the purchaser. Under the provisions of the agreement, BioSeek is required to provide screening services to the purchaser to enable evaluation of peptides that could treat inflammatory conditions. BioSeek has estimated the value of these screening services to be \$1,888,200, which will be recognized as revenues as earned. On the date of issuance, the fair value of the liability component of the Series C shares was \$6,831,684. The value of the service and shares of Series C preference shares equal the net proceeds received from the purchaser.

Series C preference shareholders are entitled to noncumulative dividends at the annual rate of \$0.32 per share, when and if declared by the board of directors, and payable in preference to ordinary share dividends. As of 31 December 2008, no dividends have been declared.

Each share of preference shares is, at the option of the holder, convertible into one share of BioSeek's ordinary shares, subject to adjustment under antidilution provisions as defined in BioSeek's Articles of Incorporation. Conversion is automatic upon the earlier of (i) an underwritten public offering of BioSeek's ordinary shares in which the public offering price is not less than $4.04 per share and the aggregate proceeds raised exceed $30,000,000, or (ii) upon the written consent of holders of at least a majority of the outstanding shares of preference shares.

The Series C preference shares are redeemable in equal instalments on 5 September 2010 and 5 September 2011, pursuant to receipt of a written request from the holders of at least a majority of the then outstanding Series C preference shares. The redemption price for each share of Series C preference shares repurchased shall be equal to $4.04, plus any declared but unpaid dividends. The difference between the purchase price and the redemption amount has been accounted for as an accretion of preference share to redemption value. BioSeek is required to accrete equal portions of this difference and related issuance costs over the period from issuance to 5 September 2010 and 5 September 2011. The periodic accretion amount is calculated using the effective interest rate method at a fixed rate.

Series AA, BB, and C Liquidation Preferences – Each holder of Series C and Series BB preference shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of BioSeek to the holders of the Series AA or ordinary shares, liquidation preference of $4.04 per share of Series C preference share, and $2.00 per share of Series BB preference shares, plus an amount equal to all declared but unpaid dividends on such shares. If upon the occurrence of a liquidation event, the assets and funds available to be distributed among the holders of Series C preference shares and Series BB preference shares are insufficient to permit the payment to such holders of Series C preference shares and Series BB preference shares the full preferential amount, then the entire remaining assets and funds of BioSeek's legally available for distribution shall be distributed ratably on a *pari passu* basis in proportion to the preferential amount each such holder is otherwise entitled to receive.

After payment has been made to the holders of the Series C preference shares and Series BB preference shares, the holders of Series AA preference shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of BioSeek to the holders of ordinary shares, liquidation preference of $2.9744 per share of Series AA preference shares, plus an amount equal to all declared but unpaid dividends on such shares. If upon the occurrence of a liquidation event, the assets and funds available to be distributed to the holders of Series AA preference shares are insufficient to permit the payment to each holder of Series AA preference shares the full preferential amount, then the entire remaining assets and funds of BioSeek legally available for distribution after payment to the holders of the Series C preference shares, and Series BB preference shares shall be distributed ratably among the holders of the Series AA preference shares based on the number of shares of Series AA preference shares held by each holder.

After payment has been made to the preference shareholders, the remaining assets of BioSeek available for distribution to shareholders shall be distributed ratably among the ordinary and preference shareholders in proportion to the number of shares of ordinary shares (on an as-converted basis) held, until such time as the total distribution of liquidation preferences to the holders of Series C preference shares, Series BB preference shares, and Series AA preference shares equals $8.08, $4.00, and $4.95, respectively, then the remaining assets shall be distributed solely to the holders of ordinary shares.

Series AA, BB, and C Voting Rights – Each holder of shares of preference shares is entitled to voting rights equivalent to the number of ordinary shares into which the respective shares are convertible.

Series AA, BB, and C Election of Board of Directors – The holders of preference shares shall be entitled to elect three members of the board of directors, the holders of ordinary shares shall be entitled to elect two members of the board of directors, and the remaining directors shall be elected by the holders of preference shares and ordinary shares voting together as a single class.

20. FINANCIAL INSTRUMENTS

The principal financial risks faced by BioSeek include interest rate risk and liquidity risk. The board reviews and agrees policies for managing each of these risks. BioSeek's main objective in using financial instruments is to obtain funding to further BioSeek's business objectives under favourable terms (eg. Through issuance of debt or preference shares or, in the case of funding capital assets, through finance lease arrangements). In addition, BioSeek seeks to obtain an acceptable return on funds held on deposit, while safeguarding its assets through the use of only highly-rated counterparties. BioSeek does not have any variable rate borrowings. The rate of return on BioSeek's short-term deposits is impacted by changes in interest rates, and the Board seeks to balance the desire to maximize returns with the need to maintain funds in a sufficiently liquid form to meet the ongoing cash requirements of the business. BioSeek has also drawn from a borrowing facility in which some of BioSeek's property, plant and equipment are pledged as collateral.

BioSeek does not expose itself to substantial credit risk exposure on its cash resources. It places deposits with a highly rated banking institution; amounts are placed in money market funds. See note 11 for disclosure of credit risk in relation to trade receivables.

BioSeek believes that the carrying amounts of financial instruments, including cash and cash equivalents, restricted cash, trade receivable, trade payable, and accrued expenses, approximate fair value due to the short term nature of those instruments.

Cash and cash equivalents is set out in Note 13. The maturity and interest rate of finance leases is set out in Note 15 and long term debt in Note 16.

Capital Risk Management – The capital structure of BioSeek consists of cash and cash equivalents and capital and reserves attributable to equity holders of the Company. BioSeek's objectives when managing capital are to safeguard BioSeek's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to reduce the cost of capital.

Quick Ratio – BioSeek monitors capital and its ability to service debt on the basis of the quick ratio. This ratio is calculated as quick assets divided by current liabilities. Quick assets are calculated as cash plus accounts receivable as shown in the balance sheets. Current liabilities are as shown in the balance sheet less deferred revenue.

The quick ratios at 31 December 2008, 2007, and 2006 were as follows:

	2008	*2007*	*2006*
	$	*$*	*$*
Cash	3,924,623	8,778,209	2,235,176
Accounts receivable	1,581,655	1,656,902	252,257
Quick assets	5,506,278	10,435,111	2,487,433
Current liabilities	2,788,800	2,892,155	1,120,122
Less deferred revenue	(1,865,073)	(1,841,644)	(289,895)
Total	923,727	1,050,511	830,227
Quick ratio	6.0:1	9.9:1	3.0:1

The decrease in the quick ratio during 2008 (2007: increase, 2006: decrease) resulted primarily from the decrease in cash balances (see Note 13).

Liquidity Risk – Management and the board of directors monitor the level of cash and liquid resources on a regular basis, to ensure that BioSeek has sufficient liquid funds to enable it to meet its commitments as they fall due. This is achieved through the production and review of cash forecasts. The majority of BioSeek's cash balances are invested in bank deposits within the parameters set by the board of directors. BioSeek aims to enter into funding arrangements and/or collaborations in order to promote sufficient liquid resources in advance of them being required.

The tables below analyses BioSeek's financial liabilities and preference share liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows therefore these amounts will not reconcile to the amounts disclosed on the balance sheet. The maturity analysis applies to financial liabilities only.

	Less than 1 year	*Between 1 and 2 years*	*Between 2 and 5 years*
	$	*$*	*$*
At 31 December 2006			
Borrowings	85,220	92,804	100,538
Preferred share liabilities	–	–	17,364,000
Trade payables	494,678	–	–
	579,898	$ 92,804	$ 17,464,538

	Less than 1 year	*Between 1 and 2 years*	*Between 2 and 5 years*
	$	*$*	*$*
At 31 December 2007			
Borrowings (excluding finance lease liabilities	177,733	177,733	57,275
Finance lease liabilities	6,095	6,095	17,775
Preferred share liabilities	–	–	27,807,252
Trade payables	588,876	–	–
Long term trade payables	–	30,741	–
	772,704	214,569	27,882,302

	Less than 1 year	*Between 1 and 2 years*	*Between 2 and 5 years*
	$	*$*	*$*
At 31 December 2008			
Borrowings (excluding finance lease liabilities	$ 177,733	$ 57,725	$ –
Finance lease liabilities	17,643	17,643	20,342
Preferred share liabilities	–	–	27,807,252
Trade payables	585,272	–	–
	780,648	75,368	27,827,594

21. CALLED UP SHARE CAPITAL AND WARRANT RESERVE

	2008 Number	*2008 $*	*2007 Number*	*2007 $*	*2006 Number*	*2006 $*
Called up share capital						
Authorized						
Ordinary shares at no par value	22,500,000	–	22,500,000	–	20,000,000	–
Allotted, called up and fully paid						
At 1 January	622,508	2,717,621	125,319	2,667,902	73,005	2,660,473
Allotted under share option schemes	610,565	103,622	497,189	49,719	52,314	7,429
Repurchase of shares from investor	(1,205)	(458)	–	–	–	–
At 31 December	1,231,868	2,820,785	622,508	2,717,621	125,319	2,667,902

During the year, BioSeek issued a total of 610,565 (2007: 497,189, 2006: 52,314) ordinary shares at no par value.

	$
Warrant reserve	
At 1 January 2006	28,400
At 31 December 2006	28,400
At 31 December 2007	28,400
At 31 December 2008	28,400

Preference Shares

	Shares	*Share Amount*
	$	*$*
At 1 January 2006	7,753,931	1,669,207
Issuance of Series BB mandatorily redeemable convertible preferred shares	295,500	78,022
At 31 December 2006	8,049,431	1,747,229
Issuance of Series C mandatorily redeemable convertible preferred shares	2,475,248	1,271,538
At 31 December 2007	10,524,679	3,018,767
At 31 December 2008	10,524,679	3,018,767

22. SHARE OPTION SCHEME

Under the 2000 Stock Plan (the "Plan"), options or share purchase rights may be granted by the board of directors to employees and consultants. Options granted may be either incentive share options or nonstatutory share options. Incentive share options may be granted to employees with exercise prices of no less than the fair value of the ordinary shares on the date of the grant as determined by the board of directors, and nonstatutory options may be granted to employees or consultants at exercise prices of no less than 85 per cent. of the fair value of the ordinary shares on the grant date as determined by the board of directors. Options vest, as determined by the board of directors, generally at the rate of 25 per cent. at the end of the first year, with the remaining balance vesting ratably over the next three years. Options granted under the Plan expire no more than 10 years after the date of grant.

The Plan allows for the grant of certain options that may be exercised before they have vested. BioSeek has recorded a liability on the balance sheet relating to 30,956 option shares that were early exercised prior to vesting after 21 March 2002, and that are unvested at 31 December 2008 (2007: 77,395 shares, 2006 111,168 shares).

Share Option Scheme – A reconciliation of option movements is shown below:

	2008 Number	*2008 Weighted-Average Exercise Price $*	*2007 Number*	*2007 Weighted-Average Exercise Price $*	*2006 Number*	*2006 Weighted-Average Exercise Price $*
Outstanding at 1 January	2,346,183	0.30	1,713,882	0.20	1,884,781	0.20
Granted	114,500	0.38	1,138,022	0.38	74,897	0.25
Forfeited	(103,565)	0.44	(42,305)	0.58	(82,411)	0.31
Exercised	(564,247)	0.18	(463,416)	0.10	(163,385)	0.11
Outstanding at 31 December	1,792,871	0.34	2,346,183	0.30	1,713,882	0.20
Exercisable at 31 December	1,199,614	0.32	1,505,519	0.26	1,603,960	0.18

Exercise Price	*2008 Weighted-Average Remaining Contractual Number of Shares*	*Life (in years)*	*Exercise Price*	*2007 Weighted-Average Remaining Contractual Number of Shares*	*Range of Life (in years)*	*Exercise Prices*	*2006 Exercise Price*	*Weighted-Average Remaining Contractual Number of Shares*	*Life (in years)*
$ 0.10	723,109	6.90	$ 0.10	1,217,701	7.92	$ 0.10	$ 0.10	1,689,842	8.92
0.38	1,051,879	8.88	0.38	1,106,022	9.78	0.38	–	–	–
1.37	805	2.13	1.37	805	3.13	1.37	1.37	805	4.13
6.83	14,472	5.29	6.83	19,049	6.33	6.83	6.83	20,520	7.28
13.65	2,606	3.84	13.65	2,606	4.84	13.65	13.65	2,715	5.86
	1,792,871			2,346,183				1,713,882	

The weighted average share price for options exercised during 2008 was $0.38 (2007: $0.14, 2006: $0.10). The fair value of options granted was estimated on the date of grant using the Black Scholes option pricing model assuming no dividend yield. The assumptions for the grant from 2006 to 2008 were as follows:

Weighted-average options fair value assumptions

	2008	*2007*	*2006*
Share price	$0.38	$0.38	$0.25
Exercise price	$0.38	$0.38	$0.25
Expected volatility	82%	65%	74%
Expected life	7.9	5.88	10
Risk-free rate	2.6%	4.07%	4.56%
Dividend yield	–%	–%	–%
Fair value of option	$ 0.29	$ 0.24	$ 0.08

Share options were granted under service conditions. Share option compensation expense for 2008 was $114,454 (2007: $137,526, 2006: $81,413).

23. COMMITMENTS

BioSeek had no commitments at the end of the year from 2006 to 2008 for capital expenditure contracted for but not provided in the financial statements.

In April 2008, BioSeek entered into a noncancelable operating lease agreement for a new facility located in South San Francisco, California, USA. In November 2008, BioSeek relocated its headquarters from Burlingame, California, USA to this new facility. Under the new lease agreement, the commencement date was 1 October 2008, and the term of the lease is for 84 months. Monthly rent expense will range from approximately $55,289 to $67,691 over the term of the lease. BioSeek also established an irrevocable standby letter of credit in the amount of $242,000 with a bank for the benefit of the landlord of the new facility as a security deposit in April 2008. The initial expiration date is 31 October 2009, and the final expiration date is 31 October 2018.

BioSeek entered into the Burlingame, California, USA, lease agreement in January 2007, which was effective through October 2007. In September 2007, BioSeek signed an amendment to extend the lease, which was further amended in April 2008 and July 2008 and the lease was terminated in November 2008.

The lease expenditure charged to the income statement during the year is disclosed in Note 5.

At 31 December, BioSeek had total commitments under non-cancellable operating leases as follows:

	2008 *$*	*2007* *$*	*2006* *$*
Expiring within one year	668,400	120,264	30,336
Later than one year and not later than five years	2,904,919	–	–
Greater than five years	1,400,010	–	–
	4,973,329	120,264	30,336

24. RELATED PARTY TRANSACTIONS

In May 2007, in conjunction with the Series C preference share financing (see Note 19), BioSeek entered into a joint research agreement with the Series C investor where BioSeek will screen a broad library of peptides for potential development as therapeutic products, in particular as treatments for inflammatory diseases. Each party shall bear its own research cost, but BioSeek will also reimburse the collaborative partner for personnel costs and amounts paid to third parties for materials and services for performing peptide-related services. BioSeek will receive royalties on annual net sales from each joint commercial product from the collaborative partner, its affiliates, and its licensees. BioSeek also has the right to select and exclusively license up to two compounds resulting from the screening program, which is outside of the core therapeutic focus of the investor in exchange for milestone and royalty payments.

BioSeek estimated the fair value of the services provided under the agreement to be $1,888,200. For the year ended 31 December 2007, $914,196 was recognised as revenue with the remainder being recognised as revenue in 2008.

25. SUBSEQUENT EVENTS

In March 2009, BioSeek's Board of Directors directed management to examine various strategic options for BioSeek. In September 2009, BioSeek received a Letter of Intent to be acquired by Asterand plc, a publicly traded company listed on the London Stock Exchange, and doing business in the United Kingdom and United States. Both companies then entered into the process of due diligence and negotiations based upon revisions to the original Letter of Intent. On 16 November 2009, the Board of Directors of BioSeek Inc. approved the terms of the acquisition as negotiated with Asterand plc. On 18 November 2009, Asterand plc announced the agreement to acquire BioSeek had been reached, under terms approved by the Boards of Directors of both companies. The BioSeek acquisition constitutes a Class 1 transaction for Asterand for the purposes of the UK Listing Rules and, accordingly, completion of the acquisition is subject to, amongst other things, Asterand shareholder approval at an Extraordinary General Meeting, the date of which will be subsequently announced. The transaction is expected to close in early 2010.

PART IV

UNAUDITED PRO FORMA INFORMATION ON THE ENLARGED GROUP

SECTION A: ACCOUNTANT'S REPORT IN RESPECT OF THE UNAUDITED PRO FORMA INFORMATION ON THE ENLARGED GROUP

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2 February 2010

Dear Sirs

Asterand plc (the "Company")

We report on the pro forma statement of net assets of the enlarged group (the "**Pro forma financial information**") set out in Part IV of the Company's circular dated 2 February 2010 (the "**Circular**") which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the proposed acquisition by the Company of BioSeek, Inc. might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 June 2009. This report is required by item 13.3.3R of the Listing Rules of the UK Listing Authority (the "**Listing Rules**") and is given for the purpose of complying with that Listing Rule and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro forma financial information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules as to the proper compilation of the Pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Pro forma statement of net assets has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION B: UNAUDITED PRO FORMA INFORMATION ON THE ENLARGED GROUP

The unaudited pro forma statement of net assets of the Enlarged Group in this Part IV (Unaudited Pro Forma Information) has been based on the net assets of the Asterand Group as at 30 June 2009 and the net assets of BioSeek as at 31 December 2008 and has been prepared on the basis of the notes set out below.

The unaudited pro forma statement of net assets has been prepared to illustrate the effect on the consolidated net assets of the Asterand Group of the Acquisition as if it had completed on 30 June 2009. As indicated above, the unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, the pro forma statement addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position or results.

	Asterand net assets at 30 June 2009 £'000 (Note 1)	*BioSeek net assets at 31 December 2008 £'000 (Note 2)*	*Preference shares £'000 (Note 3)*	*Transaction adjustment £'000 (Note 4)*	*Pro Forma net assets of the Enlarged Group £'000*
ASSETS					
Non-current assets					
Goodwill	611	–	–	1,261	1,872
Intangible assets	64	–	–	–	64
Property, plant and equipment	447	2,695	–	–	3,142
Deferred tax asset	468	–	–	–	468
	1,590	2,695	–	1,261	5,546
Current assets					
Biobank inventory	4,661	–	–	–	4,661
Trade and other receivables	2,753	1,383	–	–	4,136
Cash and cash equivalents	5,752	2,882	–	(603)	8,031
	13,166	4,265	–	(603)	16,828
Total assets	14,756	6,960	–	658	22,374
Liabilities					
Current liabilities					
Trade and other payables	(3,067)	(1,807)	–	–	(4,874)
Income tax payable	(443)	–	–	–	(443)
– Financial liabilities – finance leases	–	(8)	–	–	(8)
– Finacial liabilities – current debt	–	(111)		–	(111)
	(3,510)	(1,926)	–	–	(5,436)
Net current assets	9,656	2,339	–	(603)	11,392
Non-current liabilities					
Financial liabilities					
– Finance lease obligations	–	(21)	–	–	(21)
– Long-term debt	–	(38)	–	–	(38)
– Preference share liability	–	(15,386)	15,386	–	–
– Deferred rent	–	(2,036)	–	–	(2,036)
– Contingent consideration	–	–	–	(1,722)	(1,722)
	–	(17,481)	15,386	(1,722)	(3,817)
Net assets	11,246	(12,447)	15,386	(1,064)	13,121

Notes

1. Asterand net assets at 30 June 2009

The net asset information in respect of Asterand has been extracted without material adjustment from its 30 June 2009 interim financial statements as referenced in Part I of the Circular.

2. BioSeek net assets at 31 December 2008

The net asset information in respect of BioSeek has been extracted without material adjustment from BioSeek's 31 December 2008 balance sheet included in Part III of this Circular. The BioSeek statement of net assets has been converted to sterling at the rate ruling at 31 December 2008 of £1 = $1.45.

3. Preference shares

Under IFRS a portion of BioSeek's redeemable convertible preference shares has been shown in the balance sheet as convertible debt. On completion of the proposed transaction, all of BioSeek's redeemable convertible preference shares will be converted into ordinary shares in the Enlarged Group. As a consequence, an adjustment has been made to eliminate this amount from the statement of net assets. Further details of this conversion are set out in Part III of this document.

4. Transaction adjustment

(i) Goodwill

An adjustment of £1,261,000 has been made in respect of the estimated goodwill arising on the proposed transaction. This has been calculated from an estimated total consideration of $6,100,000 (converted at an estimated exchange rate of £1 = $1.60) paid in ordinary shares, transaction expenses of £603,000 (see (ii) below) and the net assets of BioSeek at 31 December 2008, excluding the preference share liability. The portion of the contingent consideration that meets the definition of a financial liability and falls due after 31 December 2010 (see (iii) below) has been discounted at 12.5 per cent.. No adjustment has been made in respect of any other intangible assets which may arise as a result of a fair value exercise. The actual consideration is variable based on 2010 revenues and actual performance could vary thus impacting the estimate of goodwill.

	Gross *£'000*	*Discounted* *£'000*
Initial consideration	625	625
Contingent consideration – Equity component	1,250	1,250
Contingent consideration – Liability component	1,938	1,722
Transaction costs	603	603
Estimated total consideration	4,416	4,200
BioSeek net liabilities	(12,447)	(12,447)
Less: Preference share liability	15,386	15,386
Assets acquired	2,939	2,939
Estimated goodwill	1,477	1,261

(ii) Transaction costs

Estimated transaction and associated costs of £603,000 comprise the costs, charges and expenses incidental to the acquisition including listing and professional advisors. These costs have been capitalised as part of the acquisition consideration in accordance with IFRS 3, which was the standard in force for the Company's most recent published results. Under IFRS 3(R), which the Company will adopt prospectively from 1 January 2010, acquisition costs will be expensed rather than capitalised.

(iii) Contingent consideration

An adjustment of £1,722,000 has been made in respect of the portion of estimated contingent consideration that meets the definition of a financial liability by virtue of settlement being expected to be in the form of a variable number of ordinary shares in Asterand. No adjustment has been made in respect of the portion of estimated contingent consideration that is expected to be settled by a fixed number of shares and consequently meets the definition of an equity instrument.

The difference between the net assets of Asterand at 30 June 2009 and the pro forma net assets of the Enlarged Group of £1,875,000 consists of the equity component of estimated total consideration (being $3,000,000 converted at an estimated exchange rate of £1=$1.60), which forms part of estimated goodwill arising on acquisition.

5. Other adjustments

No account has been taken of the trading results or other transactions of Asterand since 30 June 2009 or of BioSeek since 31 December 2008.

PART V

PRINCIPAL TERMS OF THE ACQUISITION

1. Background

The Acquisition is structured as a merger under California law. Pursuant to the Acquisition Agreement, Merger Sub I will merge with and into BioSeek, with BioSeek surviving as an indirect wholly-owned subsidiary of Asterand. Promptly thereafter, BioSeek, as an indirect wholly-owned subsidiary of Asterand, will then merge with and into Merger Sub II, with Merger Sub II surviving as an indirect wholly-owned subsidiary of Asterand and changing its name to BioSeek LLC.

Merger Sub I is a California corporation that was formed by Asterand specifically in connection with the Acquisition. It has no assets and heretofore has conducted no operations.

Merger Sub II is a California limited liability company that was formed by Asterand specifically to consummate the Acquisition. It has no assets and heretofore has conducted no operations.

The equity holders of BioSeek entitled to receive the consideration payable by Asterand under the Acquisition Agreement will receive the consideration summarised in paragraph 4 of this Part V.

On Completion of the Acquisition all of the property, rights, privileges, powers and franchises of BioSeek shall vest in Merger Sub II, and all debts, liabilities and duties of BioSeek shall become the debts, liabilities and duties of Merger Sub II.

2. Conditions and Completion

Completion of the Acquisition is conditional upon, among other things:

(a) approval of the Acquisition by Asterand Shareholders in general meeting;

(b) approval of the Acquisition by BioSeek Shareholders;

(c) there being no material breach of the Warranties;

(d) there being no government intervention which prevents the Acquisition from proceeding (although it is not anticipated that any specific government clearance is required);

(e) there having occurred no event which had or would reasonably be expected to have a material adverse effect on BioSeek's financial position, results of operations, business or prospects or which would materially impair the ability of BioSeek to perform its obligations under the Acquisition Agreement;

(f) each of the parties having performed in all material respects their obligations under the Acquisition Agreement required to be performed before Completion; and

(g) filing of the appropriate certificates of merger with the California Secretary of State.

Completion is expected to occur on or around 18 February 2010.

3. Participation of BioSeek Shareholders

The share capital of BioSeek comprises Common Stock and Preference Stock. The holders of Preference Stock benefit from certain preference rights which will be triggered by the Acquisition. Based on the respective liquidation preferences of the Series BB Preference Stock and the Series C Preference Stock, it is anticipated that no holder of BioSeek Series AA Preference Stock, Common Stock, warrants or options will receive any portion of the consideration payable by Asterand for the acquisition as more fully described in paragraph 4 below. Shares held by Participating Holders will convert into the right to receive a pro rata portion of the consideration payable by Asterand in satisfaction of their liquidation preferences.

4. Consideration

The consideration payable by Asterand for the Acquisition will comprise:

(a) the sum of $1.0 million payable on Completion which will be satisfied by the issue of New Asterand Shares as more fully described in paragraph 4.1 below (the "**Initial Consideration**"), and

(b) the sum of up to $13.0 million subject to the BioSeek 2010 Revenue exceeding certain agreed levels as more fully described in paragraph 4.2 below (the "**Contingent Payment**").

4.1 Initial Consideration

The Initial Consideration of $1.0 million will be satisfied by the issue of 2,695,856 New Asterand Shares, being the number of New Asterand Shares equal to $1.0 million divided by $0.371 ($0.371 being the average of the per share closing prices of Ordinary Shares on the London Stock Exchange during the thirty (30) consecutive trading day period ending on 17 November 2009, converted into U.S. dollars at the exchange rate for purchasing U.S. dollars with pound sterling as quoted in the Financial Times on such date).

4.2 Contingent Payment

As additional consideration for the Acquisition, Asterand will make the Contingent Payment, consisting of New Asterand Shares, or a combination of New Asterand Shares and cash shortly after 31 December 2010, determined as follows:

(a) If the BioSeek 2010 Revenue is less than $4.0 million, the Contingent Payment will be an amount equal to (A) 0.75 multiplied by the BioSeek 2010 Revenue minus (B) $1.0 million, which will be payable only in Ordinary Shares (with the value of each Ordinary Share being $0.371);

(b) If the BioSeek 2010 Revenue is equal to or greater than $4.0 million, the Contingent Payment will be an amount equal to (A) $3.6 million plus (B) the product of 2.5 multiplied by the amount by which the BioSeek 2010 Revenue exceeds $4.0 million minus (C) $1.0 million, which amount will be payable in Ordinary Shares or a combination of Ordinary Shares and cash at the election of Asterand (with the value of each Ordinary Share being $0.371 in respect of the first $3.0 million of Ordinary Shares issued, and the value of each Ordinary Share issued thereafter being the average of the per share closing prices of Ordinary Shares on the London Stock Exchange during the thirty (30) consecutive trading day period ending on 31 December 2010, converted into U.S. dollars at the exchange rate for purchasing U.S. dollars with pound sterling as quoted in the Financial Times on such date).

The aggregate value of the Contingent Payment shall not exceed $13.0 million, and once such value has been reached, the right to receive any additional Contingent Payment will terminate.

Recourse for any indemnification claims by the Asterand Group under the Acquisition Agreement shall be offset against the Contingent Payment in an amount not to exceed $1.4 million (with the exception of claims based on fraud or breaches of certain fundamental Warranties, which claims shall not be subject to the $1.4 million cap). Amounts that would have been payable as a Contingent Payment but for the $13.0 million limitation on the value of the Contingent Payment shall be offset against any indemnification claims by the Asterand Group under the Acquisition Agreement.

The Contingent Payment will be subject to offset by Asterand by the amount, if any, that BioSeek's final closing working capital is less than $2.5 million less the product of $12,175 multiplied by the number of calendar days that elapse between 31 October 2009 and Completion.

5. Warranties

The Acquisition Agreement contains, subject to exceptions and qualifications, representations and warranties of BioSeek relating to certain matters concerning BioSeek and its business. Except for claims based on fraud or breaches of certain fundamental Warranties, the Participating Holders' aggregate liability for claims under the Warranties is limited to $1.4 million. Further, except in the case of breaches of fundamental Warranties, the Participating Holders shall not be liable for breaches of the Warranties until the aggregate liability is equal to or greater than $150,000, provided that such threshold may be satisfied only by individual claims of $2,000 or greater.

The Acquisition Agreement contains, subject to certain exceptions, limitations and qualifications, representations and warranties of Asterand, Merger Sub I and Merger Sub II relating, among other things, to their corporate organization and authority to enter the Acquisition Agreement. Asterand has also given Warranties in relation to its financial statements and the absence of any undisclosed liabilities and litigation.

6. Indemnification

Subject to certain limitations and conditions, the Participating Holders, severally and not jointly, will indemnify the Asterand Group from and against damages arising out of (a) any breach or inaccuracy of a Warranty of BioSeek, the BioSeek Shareholders, optionholders, and warrantholder, contained in the Acquisition Agreement, any related agreement or in any certificate or other instrument delivered at Completion; (b) any failure by BioSeek, the BioSeek Shareholders, optionholders and warrantholder, as applicable, to perform or comply with any covenant applicable to any of them contained in the Acquisition Agreement, any related agreement or in any certificate or other instrument delivered pursuant to the Acquisition Agreement or any related agreement; (c) any claim against the Asterand Group by a BioSeek Shareholder, optionholder, or warrantholder with respect to any action taken or not taken by Wm. Blake Winchell, the representative under the Acquisition Agreement; (d) any losses resulting from any payment to any BioSeek employee that is determined to constitute an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Internal Revenue Code of 1986, as amended; (e) any error or inaccuracy in the Initial Merger Consideration Spreadsheet or Contingent Payment Spreadsheet; (f) the amount of Dissenting Share Payments; (g) the amount of any Compensation Payments that become payable on or before Completion; (h) any losses arising out of disputes with third parties related to the adoption, implementation, or amount of the Management Incentive Plan; and (i) any losses arising out of disputes with third parties related to the stock transfer transactions contemplated by the Stock Transfer Agreement.

With the exception of claims based upon fraud or breaches of the fundamental Warranties, the maximum liability for the Participating Holders is limited to $1.4 million. Additionally, except in the case of breaches of fundamental Warranties, the Participating Holders shall not be liable for breaches of the Warranties until the aggregate liability is equal to or greater than $150,000, provided, further that such threshold may be satisfied only by individual claims of $2,000 or greater. Recourse for their indemnities will be limited to recovery through a right of set-off against the Contingent Payment.

7. Survival of Warranties

All Warranties will survive Completion and expire on 31 December 2010, except that liability for damages resulting from a breach of certain fundamental Warranties shall continue until sixty (60) days past the expiration of all applicable statutes of limitations relating to such fundamental Warranties.

8. BioSeek Shareholder approval

Under the California Code, and pursuant to BioSeek's Articles, approval of the Acquisition Agreement and the Acquisition requires the affirmative vote of (i) the holders of a majority of the outstanding shares of BioSeek's capital stock (including both the outstanding Common Stock and the outstanding Preference Stock), voting together as a single class, and (ii) the holders of not less than 50 per cent. of the outstanding shares of Preference Stock and (iii) the holders of not less than 50 per cent. of the outstanding shares of Common Stock. Holders of a majority of the Preference Stock and the Common Stock entered into an Amended and Restated Voting Agreement, dated 21 May 2007 (the "**Voting Agreement**"). Under the terms of the Voting Agreement, if the holders of a majority of the outstanding shares of the Series BB Preference Stock approve the Acquisition, the BioSeek shareholder parties to the Voting Agreement will vote all of their shares of BioSeek capital stock then held by them, or execute a written consent, in favour of the Acquisition and against any proposal made in opposition to or in competition with the consummation of the Acquisition and agree to the waiver of any dissenters' rights. The holders of a majority of the outstanding shares of Series BB Preference Stock intend to vote to approve the Acquisition Agreement and the Acquisition. As the parties to the Voting Agreement hold, in the aggregate, a greater number of the shares of Common Stock and Preference Stock than the minimum number necessary to approve the Acquisition Agreement and the Acquisition, approval of the Acquisition Agreement and the Acquisition by the BioSeek shareholders is assured. The Voting Agreement terminates upon the consummation of the Acquisition.

9. Management Incentive Plan

Certain members of BioSeek management who will continue on as employees of Merger Sub II after Completion are eligible to receive cash payments in an aggregate maximum amount equal to the sum of (i) 6.4406 per cent. of the amount by which the Adjusted Total Proceeds exceeds $3.6 million and (ii) 6.4406 per cent. of the amount by which the Adjusted Total Proceeds exceeds $8,887,500, pursuant to a Management Incentive Plan adopted in 2009 (the "**Management Incentive Plan**"). All of the Management Incentive Plan amounts, if any, will be deducted form the Contingent Payment prior to calculation of the distribution of the Contingent Payment to the Participating Holders.

PART VI

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names appear below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Directors and their principal functions are as follows:

Jack Davis	*Chairman*
Martyn Coombs	*Chief Executive Officer*
John Stchur	*Chief Financial Officer*
Dr. Peter Coggins	*Non-executive Director (Senior Independent Director)*
Jonathan Fleming	*Non-executive Director*
Jill L. Force	*Non-executive Director*
Ian Ratcliffe	*Non-executive Director*
Robert Salisbury	*Non-executive Director*

2. Registered office

The Company was incorporated and registered in England and Wales on 17 April 1997 as a private company limited by shares with the name GAC No. 83 Limited and with the registered number 03355618. Its name was changed to Pharmagene plc on 12 June 1997. On 2 July 1997 the Company re-registered under the Companies Act 1985 as a public company limited by shares. On 3 January 2006 the Company changed its name to Asterand plc.

The Company is domiciled in the United Kingdom and the registered and head office of the Company is 2 Orchard Road, Royston, Hertfordshire, SG8 5HD, United Kingdom. The telephone number of the registered office is +44 (0) 1763 211600.

3. Directors' interests

3.1 Directors' interests in share capital

As at 1 February 2010 (being the latest practicable date prior to the publication of this document), the interests of the Directors in the share capital of Company (all of which are beneficial unless otherwise stated) which are required to be notified to the Company pursuant to the Disclosure and Transparency Rules and the existence of which is known to or could with reasonable diligence be ascertained by the relevant Director were as follows:

Director	*Number of Ordinary Shares*	*Percentage of issued ordinary share capital (Company)*	*Percentage of issued ordinary share capital (Enlarged Group)*
J Davis	1,156,216	1.018	0.995
M Coombs	344,764	0.304	0.297
J Stchur	119,556	0.105	0.103
J Fleming	26,570,325	23.398	22.855
J Force	110,000	0.097	0.095
R Salisbury	50,000	0.044	0.043

Jonathan Fleming is a partner of Oxford Bioscience Partners. As such, he has a deemed beneficial interest in the shareholdings of that entity. Consequently, the disclosure shown above includes the shareholdings of that entity in the capital of the Company.

3.2 Directors' interests in share options over Ordinary Shares

Executive Directors' remuneration packages include long-term incentive arrangements in the form of share options and share incentive plans. All executive Directors are eligible for grants of share options based on a proportion of salary.

None of the Company's non-executive Directors participate in the Group's current share option or share incentive schemes.

The outstanding options held by the Directors, and the exercise price in respect of such options, are set out below:

Directors	*Number of Options*	*Exercise price*	*Date from which exercisable*	*Expiry date*
M Coombs	3,849,809	4.9p	26.03.10	26.03.17
J Stchur	18,975	$0.058	11.12.07	11.12.13
J Stchur	113,850	$0.058	10.08.08	10.08.14
J Stchur	700,000	nil	21.12.10	21.12.17
J Stchur	150,000	nil	26.06.12	26.06.19

Save as disclosed in this paragraph 3, no Director, nor any person connected to any Director, has any interests in the issued share capital or any options over unissued shares of Asterand or any of its subsidiaries.

4. Directors' interests in transactions

No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of Asterand or any of its subsidiaries during the current or immediately preceding financial year, or which, having been in effect during an earlier financial year, remains in any respect outstanding or unperformed.

5. Related party transactions

Details of related party transactions the Company has entered into:

(a) during the financial year ended 31 December 2006 are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in note 25 on page 52 of the Company's 2006 annual report and accounts;

(b) during the financial year ended 31 December 2007 are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in note 25 on page 56 of the Company's 2007 annual report and accounts; and

(c) during the period from 1 January 2008 to 1 February 2010 (being the latest practicable date prior to the publication of this document) are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in note 26 on page 57 of the Company's 2008 annual report and accounts.

6. Executive Directors' service contracts and Non-executive Directors' letters of appointment

6.1 Executive Directors' service contracts

Details of the terms of Executive Directors' service contracts can be found on page 18 of the Company's 2008 annual report and accounts in the section entitled the Directors'

Remuneration Report. There have been no changes to the terms of these contracts since the publication of the 2008 annual report and accounts.

Details of the service contracts of Executive Directors are set out below:

Executive Director	*Original date of appointment as Director*	*Contract date*	*Term*	*Notice period*	*Maximum contractual termination payment*
M Coombs	26–Mar–07	27–Mar–08	Rolling	1 year	1 year's salary and associated benefits in kind

John Stchur (who was appointed as a director on 2 January 2009), does not have a service contract, but instead has a severance contract with the Company dated 31 January 2007. The severance contract provides that if John Stchur is ever released from the Company, or decides to leave the Company for any reason, he will receive a payment equal to four months' base salary plus payment for any unused vacation hours at the time of his departure (and the maximum vacation hours carried forward from 2006 shall be 80 hours).

6.2 Non-executive Directors' letters of appointment

A summary of each of the non-executive Directors' letters of appointment can be found on page 19 of the Company's 2008 annual report and accounts in the section entitled the Directors' Remuneration Report. There have been no changes to the terms of these letters of appointment since the publication of the 2008 annual report and accounts, except that the salaries of the U.S. based directors are now denominated in US dollars in the following amounts rather than in pounds sterling:

Director	*Salary ($)*
J Davis	180,000
I Ratcliffe	56,000
J Force	56,000
R Salisbury	50,000
J Fleming	50,000

A summary of the termination dates of the appointments of non-executive Directors is set out below:

Non-Executive Director	*Original date of appointment as Director*	*Expiry date of current letter of appointment*	*Notice period*	*Contractual termination payment*
J Davis	03–Jan–06	31–Dec–11	3 months	Accrued fees and expenses
Dr. P Coggins	03–Apr–08	02–Apr–11	3 months	Accrued fees and expenses
I Ratcliffe	15–May–08	14–May–11	3 months	Accrued fees and expenses
J Force	17–Jun–08	16–Jun–11	3 months	Accrued fees and expenses
R Salisbury	17–Jun–08	16–Jun–11	3 months	Accrued fees and expenses
J Fleming	02–Sep–08	01–Sep–11	3 months	Accrued fees and expenses

7. Major interests in shares

In addition to the interests of the Directors disclosed in paragraph 3 of this Part VI, the Company is aware that the following persons were interested, directly or indirectly, in 3 per cent or more of the Company's issued share capital as at 1 February 2010 (being the latest practicable date prior to the publication of this document):

Director	*Number of Ordinary Shares*	*Percentage of issued ordinary share capital (Company)*	*Percentage of issued ordinary share capital (Enlarged Group)*
Oxford Bioscience Partners	26,570,325	23.398	22.855
Chrysalis Ventures II LP	15,735,457	13.857	13.535
Aberforth Partners	9,789,876	8.621	8.421
Worldwide Nominees Limited	6,468,360	5.696	5.564
Fort Washington Private Equity Investors II LP	6,721,346	5.919	5.782
Hale Fund I LLC	6,343,089	5.586	5.456
Gartmore Investment Limited	5,729,273	5.045	4.928
Arboretum Ventures LLC	5,103,674	4.494	4.390
Apjohn Ventures Fund LP	3,737,639	3.291	3.215

Save as disclosed above, the Company is not aware of any person who is interested, directly or indirectly, in 3 per cent or more of the issued share capital of the Company.

8. Material contracts

8.1 *The Asterand Group*

(a) the Acquisition Agreement, the principal terms of which are set out in Part V of this document;

(b) a placing agreement dated 17 November 2008 (as amended), pursuant to which Chrysalis Ventures II, L.P. agreed to subscribe for 2,700,000 Ordinary Shares at a subscription price of 15 pence per share (to be satisfied in US dollars at an exchange rate of $1.5016 to the pound);

(c) a loan agreement between (1) Asterand, (2) Asterand UK Limited, (3) Asterand Inc. and (4) Silicon Valley Bank dated 16 April 2007 (as amended on 22 May 2009), pursuant to which Silicon Valley Bank agreed to grant secured loan facilities of up to $5,000,000 (subject to levels of qualifying debtors and certain other covenants) to Asterand, Asterand UK Limited and Asterand Inc. This facility remains undrawn and has not historically been utilised; and

(d) a license agreement dated 20 August 2008 between (1) Allergan, Inc., (2) Allergan Pharmaceuticals Holdings (Ireland) Ltd and (3) Asterand UK Ltd, pursuant to which the Allergan parties were granted a worldwide, exclusive right to certain patents and know-how belonging to Asterand. The total potential value of this agreement could reach approximately $56 million in milestone payments, plus royalties.

Save as set out in paragraphs 8.1 (a), (b), (c) and (d), there are no contracts, other than contracts entered into in the ordinary course of business, which have been entered into by any member of the Group within the period of two years immediately preceding the issue of this document which are, or may be, material or that contain any provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

8.2 *BioSeek*

(a) the Acquisition Agreement, the principal terms of which are set out in Part V of this document;

(b) an amended and restated security agreement between General Electric Capital Corporation ("**GE Capital**") and BioSeek dated 14 August 2008 (the "**GE Capital Agreement**") and which terminated in April 2009, pursuant to which a loan facility of up to $1,000,000 was made available to BioSeek. BioSeek borrowed $164,639.54 pursuant to the GE Capital Agreement and repaid an aggregate amount of $173,757.40 to GE Capital on termination of the facility (being the amount borrowed plus $427.14 interest and $8,690.72 legal fees). BioSeek has no outstanding liabilities under the GE Capital Agreement.

Save as set out in paragraphs 8.2 (a) and (b), there are no contracts, other than contracts entered into in the ordinary course of business, which have been entered into by BioSeek within the period of two years immediately preceding the issue of this document, which are, or may be, material or that contain any provisions under which BioSeek has any obligation or entitlement which is material to BioSeek as at the date of this document.

9. Litigation

No member of the Group is or has been engaged in, nor (so far as the Company is aware) has pending or threatened by or against it, any government, legal or arbitration proceedings which may have or have had in the recent past (including at least the 12 months immediately preceding the date of this document) a significant effect on the financial position or profitability of the Company and/or Group save for the following:

On 10 July 2009, ILSBio LLC ("**ILSBio**") served Asa Thorp, an employee of Asterand Inc., with process and notice of claims, seeking damages of $1 million and injunctive and equitable relief. In essence, ILSBio alleged that Ms. Thorp's employment with Asterand Inc. violated the terms of her previous consultancy agreement with ILSBio; including through violation of the Maryland Trade Secrets Act, and tortuous interference with contractual relationships. The court declined to grant injunctive and equitable relief to ILSBio, a decision that was affirmed on appeal. In its judgment, the court declining to grant injunctive and equitable relief indicated that it was not convinced that ILSBio could succeed on the merits of its case, nor that ILSBio would be irreparably harmed by failure to grant such relief. The appeals court held that the lower court did not abuse its discretion in making such a judgment. This Maryland district court case may still proceed on its merits.

ILSBio sought relief directly against Asterand in the U.S. Federal District Court for the Southeastern District of Michigan ("DCSDM"), but the case was dismissed. ILSBio filed a claim with the DCSDM for unspecified damages over $75,000 and injunctive and equitable relief. In a hearing held on 8 September 2009, the DCSDM denied ILSBio's motion for injunctive and equitable relief. Moreover, the DCSDM found that ILSBio had an adequate remedy of monetary damages at law, and thus did not require injunctive relief. The DCSDM further denied ILSBio's motion for reconsideration of the injunctive relief judgment. The DCSDM entered an Order dismissing ILSBio's case on 9 November 2009. The parties are currently discussing settlement regarding all claims.

BioSeek is not, nor has it been engaged in, nor (so far as BioSeek is aware) has pending or threatened by or against it, any government, legal or arbitration proceedings which may have or have had in the recent past (including at least the 12 months immediately preceding the date of this document) a significant effect on the financial position or profitability of BioSeek.

10. Significant changes

In 2008, Asterand benefitted from both a non-recurring licensing contract and as, disclosed in its interim results for the period ended 30 June 2009, revenue relating to a US Department of Defense contract which was completed in December 2008. As a result, there has been a decrease in revenue during the five month period from 30 June 2009 (the date to which the last interim accounts of Asterand were prepared) to 30 November 2009 (the date to which the last management accounts were prepared) in comparison to the same period last year. The reduction in revenue, and the inclusion of certain exceptional one off expenses during 2009, such as professional fees incurred for the BioSeek transaction and ILSBio litigation (referred to in paragraph 9 in this Part VI), has resulted in an operating loss for the period compared to an operating profit in 2008. Cash and cash equivalents also reduced due to being used to fund operating losses. Save for these changes, and the announcement of 15 January 2010, disclosed in paragraph 7 of Part I of this document, which confirmed that an order of approximately £0.7 million, which the Directors expected to receive in 2009, has been delayed and that there will be a corresponding impact on 2009 income and cash flow, there has been no significant change in the financial or trading position of Asterand since 30 June 2009 (the date to which the last published accounts of Asterand were prepared).

Save for that during 2009 BioSeek's losses after tax and rate of cash burn have reduced from 2008 as a result of revenue being at or above that achieved in 2008 and operating costs having been significantly reduced, as disclosed in paragraph 3 of Part I of this document, there has been no significant change in the financial or trading position of BioSeek since 31 December 2008 (the date to which the historical financial information of BioSeek, as set out in Part III of this document, was prepared).

11. Working capital

Asterand is of the opinion that the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least the next 12 months following the date of this document.

12. Sources and bases

In this document, unless otherwise stated or the context otherwise requires, the following sources and bases of information have been used:

12.1 financial information relating to BioSeek has been extracted without material adjustment from the historical financial information of Bioseek for the three financial years ended 31 December 2008, 2007 and 2006;

12.2 financial information relating to the Asterand Group has been extracted without material adjustment from the audited financial statements of the Asterand Group for year ended 31 December 2008; and

12.3 the information relating to the Asterand Group has been provided by the Asterand Directors.

13. Consent

Cenkos has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.

PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales and has given and not withdrawn its written consent to the inclusion of its Accountant's Report on BioSeek, Inc. in Section A of Part III of this Circular and its report on the unaudited pro forma statement of net assets in Section A of Part IV of this Circular in the form and context in which they appear.

14. Information incorporated by reference

Information from the following documents has been incorporated in this document by reference:

Documents containing information incorporated by reference	*Paragraph in which the document is referred to*	*Where the information can be accessed by Shareholders*
Company's interim results for the period ended 30 June 2009 (page 1)	Part V, paragraph 10	The Company's website, http://www.asterand.com/Asterand/investors/financialreports/2009/R1211_Asterand_IR_27.8_HighRes.pdf
Company's 2008 annual report and accounts (note 26 on page 57)	Part VI, paragraph 5I	The Company's website, http://www.asterand.com/Asterand/investors/financialreports/2008/Asterand%202008%20Annual%20Report%20.pdf
Company's 2008 annual report and accounts (page 18)	Part VI, paragraph 6.1	The Company's website, http://www.asterand.com/Asterand/investors/financialreports/2008/Asterand%202008%20Annual%20Report%20.pdf
Company's 2008 annual report and accounts (page 19)	Part VI, paragraph 6.2	The Company's website, http://www.asterand.com/Asterand/investors/financialreports/2008/Asterand%202008%20Annual%20Report%20.pdf
Company's 2007 annual report and accounts (note 26 on page 57)	Part VI, paragraph 5(b)	The Company's website, http://www.asterand.com/Asterand/investors/financialnews/2008/Asterand%202007%20Annual%20Report.pdf
Company's 2006 annual report and accounts (note 26 on page 57)	Part VI, paragraph 5(a)	The Company's website, http://www.asterand.com/Asterand/investors/financialreports/2006/Asterand_AnnualReport2006.pdf

A copy of each of the documents listed above has been filed with the Financial Services Authority and is also available for inspection in accordance with paragraph 15 below.

15. Documents available for inspection

Copies of the following documents will be available for inspection during normal working hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Bird & Bird LLP, 15 Fetter Lane, London EC4A 1JP and at the registered office of the Company, from the date of this document until the conclusion of the General Meeting on 18 February 2010:

(a) the memorandum and articles of association of the Company;

(b) the Acquisition Agreement;

(c) the Company's annual report and accounts for the financial years ended 31 December 2008, 2007 and 2006;

(d) the report from PricewaterhouseCoopers LLP on the historical financial information in relation to BioSeek set out in Part III of this document;

(e) the report from PricewaterhouseCoopers LLP on the pro forma statement of net assets of the Enlarged Group set out in Part IV of this document;

(f) the letters of consent referred to in paragraph 13 of this Part VI; and

(g) a copy of this document and the Form of Proxy.

Dated: 2 February 2010

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise“

“$”	US dollars
“Acquisition”	the proposed acquisition by Asterand of BioSeek under the terms of the Acquisition Agreement
“Acquisition Agreement”	the conditional Agreement and Plan of Merger dated 17 November 2009 between Asterand, Merger Sub I, Merger Sub II, BioSeek and Wm. Blake Winchell as representative, a copy of which will be on display at the addresses specified in paragraph 15 of Part VI of this document
“Adjusted Total Proceeds”	means the Consideration which is actually payable, calculated after deducting any amounts offset pursuant to the terms of the Acquisition Agreement, and any other expenses payable pursuant to the Acquisition Agreement
“Admission”	admission to the Official List in accordance with the Listing Rules and to trading on the London Stock Exchange main market for listed securities in accordance with the requirements contained in the publication “Admission and Disclosure Standards” dated 7 September 2009 (as amended from time to time) containing, amongst other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s main market for listed securities
“Asterand” or the “Company”	Asterand plc, a public limited company, incorporated and registered in England (registered number 03355618)
“Asterand Group” or the “Group”	Asterand and its subsidiary undertakings
“Asterand Shares” or “Ordinary Shares”	the ordinary shares of 5p each in the capital of the Company
“Asterand Shareholders” or “Shareholders”	the existing holders of Ordinary Shares
“BioSeek”	BioSeek, Inc., a California Corporation
“BioSeek 2010 Revenue”	BioSeek’s aggregate revenue for the 12 months ended 31 December 2010
“BioSeek’s Articles”	BioSeeks’s Amended and Restated Articles of Incorporation
“BioSeek Shares”	Common Stock, Series AA Preference Stock, Series BB Preference Stock, Series C Preference Stock and any other shares of capital stock, if any, of BioSeek

"BioSeek Shareholders"	the holders of BioSeek Shares as at the date of Completion
"California Code"	the California Corporations Code
"Cenkos"	Cenkos Securities plc, the Company's financial advisor on the Acquisition and sponsor
"Circular"	this document detailing the terms of the Acquisition
"Common Stock"	shares of common stock, without par value, of BioSeek
"Compensation Payment"	a severance payment payable pursuant to any mortgage, indenture, lease, contract, covenant or other agreement, instrument, commitment, permit, concession, franchise or licence entered into or otherwise binding on BioSeek prior to Completion
"Completion"	completion of the Acquisition pursuant to the Acquisition Agreement
"Consideration"	the Initial Consideration and the Contingent Payment
"Contingent Payment"	has the meaning set out in paragraph 4(b) of Part V
"Contingent Payment Spreadsheet"	a spreadsheet which sets out the allocation of the Contingent Payment
"CREST"	the relevant system (as defined in the Regulations) in respect of which Euroclear is the operator (as defined in the Regulations"
"CREST Proxy Instruction"	the form of appointment of proxy to vote through the Euroclear system
"Directors" or "Board"	the Directors of the Company listed on page 5 of this document
"Disclosure and Transparency Rules"	the disclosure rules and transparency rules made by the Financial Services Authority pursuant to Part VI of the Financial Services and Markets Act 2000, as revised from time to time
"Dissenting Share Payment"	a payment made in accordance with the Acquisition Agreement to a BioSeek Shareholder who has exercised and perfected dissenters' rights for their BioSeek Shares in accordance with California law
"Enlarged Group"	the Asterand Group as enlarged by the Acquisition
"Form of Proxy"	the pre-paid form of proxy for use at the General Meeting which accompanies this document
"General Meeting"	the extraordinary general meeting of Asterand convened for the purpose of considering the Resolutions to be held on 18 February 2010 (or any adjournment of it), notice of which is set out at the end of this document

"IFRS"	International Financial Reporting Standards
"Initial Consideration"	has the meaning set out in paragraph 4(a) of Part V
"Initial Merger Consideration Spreadsheet"	a spreadsheet which sets out the allocation of the Initial Consideration
"Interim Management Statement"	the Interim Management Statement released by Asterand on 18 November 2009
"Listing Rules"	the listing rules of the UKLA under the Financial Services and Markets Act 2000
"London Stock Exchange"	London Stock Exchange plc
"Management Incentive Plan"	has the meaning set out in paragraph 9 of Part V
"Merger Sub I"	Asterand Acquisition Corp., a California corporation and an indirect wholly owned subsidiary of Asterand
"Merger Sub II"	Asterand Acquisition LLC, a California limited liability company and an indirect wholly owned subsidiary of Asterand
"New Asterand Shares"	means up to 2,695,856 Ordinary Shares which may be issued by Asterand in satisfaction of the Initial Consideration and any additional Ordinary Shares which may be issued in satisfaction of the Contingent Payment, as more fully described in paragraph 4 of Part V.
"Official List"	the list maintained by the Financial Services Authority in accordance with section 74(1) of the Financial Services and Markets Act 2000
"Participating Holders" and each a "Participating Holder"	the holders of Series BB Preference Stock and Series C Preference Stock, who do not exercise their dissenters' rights under California law
"Preference Stock"	BioSeek's three outstanding series of preference stock, being Series AA Preference Stock, Series BB Preference Stock and Series C Preference Stock
"Prospectus Directive Regulation"	Prospectus Regulation 809/2004/EC
"Regulations"	The Uncertificated Securities Regulations 2001 (SI 2001 No.3755)
"Resolutions"	the ordinary resolutions set out in the notice of the General Meeting set out at the end of this document
"Series AA Preference Stock"	series AA preference stock without par value in the capital of BioSeek
"Series BB Preference Stock"	series BB preference stock without par value in the capital of BioSeek
"Series C Preference Stock"	series C preference stock without par value in the capital of BioSeek

"Stock Transfer Agreement"	a stock transfer agreement between (1) BioSeek, (2) Amylin Investments LLC and (3) certain BioSeek Shareholders, pursuant to which Amylin Investments LLC is expected to agree to sell all of the shares of the Series C Preference Stock held by it to the BioSeek shareholders which are parties to the stock transfer agreement and which is expected to be entered into on or prior to the filing of certificates of merger relating to the Acquisition with the California Secretary of State
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UKLA"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"US" or "United States"	the United States of America
"Warranties"	the representations and warranties given by Asterand, Merger Sub I, Merger Sub II and BioSeek in the Acquisition Agreement

ASTERAND PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting ("**General Meeting**") of Asterand plc (the "**Company**") will be held at the offices of the Company at 2 Orchard Road, Royston, Hertfordshire, SG8 5HD on 18 February 2010 at 10 a.m. for the purpose of considering and, if thought fit, passing resolution 1 and resolution 2 below as ordinary resolutions:

ORDINARY RESOLUTIONS

1. That, the proposed acquisition by the Company of the entire issued share capital of BioSeek, Inc. ("**BioSeek**") pursuant to the terms and subject to the conditions contained in the conditional Agreement and Plan of Merger dated 17 November 2009 between the Company, Asterand Acquisition Corp., Asterand Acquisition LLC, BioSeek and Wm. Blake Winchell as representative (the "**Acquisition Agreement**"), as described in the circular to the shareholders of the Company dated 2 February 2010 of which this Notice forms part, be and is hereby approved and that the Directors of the Company ("**Directors**") (or a duly authorised committee of the Directors) be and they are hereby authorised to take all steps necessary to complete and give effect to the Acquisition Agreement in accordance with such terms and conditions and the documents referred to in the Acquisition Agreement with such non-material modifications, variations, amendments or revisions as they consider, in their absolute discretion, to be in the best interests of the Company.

2. That, subject to the passing of resolution 1 and in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to allot equity securities (as defined in section 560 of the Companies Act 2006) in the capital of the Company up to an aggregate nominal amount of:

   a. £134,793 representing approximately 2.4 per cent. of the Company's issued ordinary share capital as at 1 February 2010, provided that such power shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company and, in addition;

   b. £404,379 representing approximately 7.1 per cent. of the Company's issued ordinary share capital as at 1 February 2010, provided that such power shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the Annual General Meeting of the Company to be held in 2012;

   provided that such authority shall be limited to the allotment of equity securities pursuant to the terms of the Acquisition Agreement referred to in resolution 1. This authority is in addition to all previous authorities conferred on the Directors in accordance with section 80 of the Companies Act 1985 and section 551 of the Companies Act 2006.

Registered office:
2 Orchard Road
Royston
Hertfordshire
SG8 5HD

by order of the Board

John Stchur
Company Secretary

Date: 2 February 2010

Notes

1. **Attending in person**

   If you wish to attend the General Meeting in person and you hold shares as a beneficial owner within a nominee account, you will need to bring an original letter of representation from the nominee in order to gain entrance as a shareholder (unless the nominee has validly appointed you as its proxy). Registration for the General Meeting will open 45 minutes before it starts.

2. **Proxy**

   A member entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote on a poll instead of him. You should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attaching to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a member of the Company. Your proxy will vote or abstain from voting at his or her discretion. The instrument appointing a proxy (enclosed) must be delivered to the office of the Company's registrars, Capita Registrars Limited, not later than 48 hours before the time appointed for holding the General Meeting. Return of a completed form of proxy will not preclude a member from attending and voting in person.

   A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given by you, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.

   If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this note. Please read the note "Nominated Persons" below.

3. **Appointment of proxy using hard copy proxy form**

   The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:

   (a) completed and signed;

   (b) sent or delivered to Capita Registrars Limited at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and

   (c) received by Capita Registrars Limited no later than 48 hours before the time set for the General Meeting.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (failing previous registration with the Company), or a notarially certified copy, a copy certified in accordance with the Powers of Attorney Act 1971 or a copy certified in some other matter approved by the directors of the Company, of such power or authority, must be included with the proxy form.

4. **CREST proxy voting service**

   CREST members who wish to appoint a proxy or proxies by utilising the CREST proxy voting service may do so for the General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given for a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's registrars, Capita Registrars Limited (ID RA10), by not later than 48 hours before the time appointed for holding the General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications' Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5. Entitlement to vote

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company at 6 p.m. on 16 February 2010 (or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned General Meeting), shall be entitled to attend or to vote at this General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after 6 p.m. on 16 February 2010 (or, in the event that this General Meeting is adjourned, 48 hours before the time of any adjourned meeting), shall be disregarded in determining the rights of any person to attend or vote at the General Meeting.

6. Appointment of proxy by joint members

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

7. Nominated Persons

If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights ("**Nominated Person**"):

(a) you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("**Relevant Member**") to be appointed or to have someone else appointed as a proxy for the General Meeting.

(b) if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.

Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

8. Documents available for inspection

Copies of the following documents will be available for inspection during normal working hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Bird & Bird LLP and at the registered office of the Company, from the date of this document until the conclusion of the General Meeting on 18 February 2010:

(a) the memorandum and articles of association of the Company;

(b) the Acquisition Agreement;

(c) the Company's annual report and accounts for the financial years ended 31 December 2008, 2007 and 2006;

(d) the report from Pricewaterhousecoopers LLP on the historical financial information in relation to BioSeek set out in Part III of the circular to the Company's shareholders dated 2 February 2010 of which this notice forms part (the "**Circular**");

(e) the report from Pricewaterhousecoopers LLP on the pro forma statement of net assets of the Enlarged Group set out in Part IV of the Circular;

(f) the letters of consent referred to in paragraph 13 of Part VI of the Circular; and

(g) a copy of the Circular and the Form of Proxy.

9. Corporate representatives

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

10. Issued shares and total voting rights

As at 6 p.m. on 1 February 2010 the Company's issued share capital comprised 113,559,530 ordinary shares of 5p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6 p.m. on 1 February 2010 is 113,559,530.

The website referred to in note 11 will include information on the number of shares and voting rights.

11. Questions at the General Meeting

Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

(a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

(b) the answer has already been given on a website in the form of an answer to a question; or

(c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

12. Website giving information regarding the General Meeting

A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.asterand.com

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