

Please note that there will be an analyst meeting commencing at 10.00 am at the offices of Buchanan Communications, 45 Moorfields, London, EC2Y 9AE. Running simultaneously to this is a webcast and conference call facility. To connect to the webcast, please go to:
<http://mediaserve.buchanan.uk.com/webcasts/room8audio/lrframes.htm> approximately 10 minutes (09:50 am) before the start of the briefing.

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The presentation will also be available on Alizyme's website for replay shortly after the conclusion of the presentation.

For Immediate Release

23 March 2009

ALIZYME PLC
UNAUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

Cambridge UK, 23 March 2009: Alizyme plc ("Alizyme") (LSE: AZM) today announces its unaudited preliminary results for the year ended 31 December 2008.

Highlights

Commercial

- COLAL-PRED[®] - Licence agreement with Norgine for Europe and other territories; €2.0 million upfront payment received
- Cetilistat - US\$3.0 million milestone received from Takeda on entering Phase III development in Japan

Operational

Cetilistat (obesity and type 2 diabetes)

- Successful results of Phase II study in Japan in obese diabetic patients
- Phase III development commenced in Japan
- Protocols of all three studies in the Phase III obesity programme now agreed with FDA under SPA procedure
- FDA indicated a potential labelling for type 2 diabetes

COLAL-PRED[®] (ulcerative colitis)

- Headline results reported for EU Phase III clinical trial in approximately 800 patients with active moderate to severe ulcerative colitis
- Phase II clinical development commenced in the US by Prometheus
- Phase I clinical development commenced in Japan by TSD

ATL-104 (mucositis)

- Preparations for Phase II study in patients being treated for head and neck cancer ongoing

Renzapride (irritable bowel syndrome)

- Development by Alizyme discontinued

Financial

- Revenues of £1.9 million (2007: £0.01 million)
- Net loss after tax of £10.1 million (2007: £31.2 million)
- Cash, cash equivalents and money market investments of £2.2 million at 31 December 2008 (2007: £5.8 million)
- £10.0 million gross raised from shareholders in March 2008
- Cost saving measures introduced including reduction in headcount

Board changes

- Roger Lloyd and Richard de Souza appointed as Non-Executive Directors, with effect from 1 April 2009
- Bill Edge to resign as Non-Executive Director, with effect from 1 April 2009
- Richard Forrest resigned as Non-Executive Director on 31 August 2008
- David Campbell resigned as Finance Director and Company Secretary on 5 September 2008
- Nick Blech appointed as Company Secretary on 5 September 2008

For further information, please contact:

ALIZYME PLC
Tim McCarthy, Chief Executive Officer

Tel: + 44 (0) 1223 896000

BUCHANAN COMMUNICATIONS
Lisa Baderon
Rebecca Skye Dietrich

Tel: + 44 (0) 20 7466 5000

Further information on Alizyme can be found on the Company's website: www.alizyme.com

Chairman's Statement

I am pleased to report results for 2008 to our shareholders.

The past 12 months have seen almost unprecedented turmoil in the global financial markets which have presented some unique challenges and opportunities to all companies in the biotechnology industry. Against this background, Alizyme has continued to execute its strategy of building a portfolio of revenue streams combined with a flexible, low overhead business model in order to achieve its objective of becoming a profitable, self-sustaining biopharmaceutical product development company.

In this regard, in 2008 we secured a new commercial partnership for COLAL-PRED[®] and saw cetilistat move into Phase III clinical development in Japan. Both these events led to the receipt of licensing income for Alizyme. There was also continued progression in the clinical development of COLAL-PRED[®] in both the US and Japan by our partners Prometheus and TSD.

In the first half of 2008 we completed two Phase III studies. In line with our established outsourcing business model, following completion of these studies, ongoing research and development activity and expenditure have been significantly reduced. As a consequence of this lower level of activity, staff numbers have also been reduced, thereby lowering Alizyme's ongoing base level cash requirements. Alizyme's ongoing research and development expertise is now focused on supporting our partners in achieving our future licensing income streams through the commercialisation of our products.

I welcome the appointments of Roger Lloyd and Richard de Souza to the Board as Non-Executive Directors. I believe they will provide invaluable advice and guidance in enabling Alizyme to pursue its strategy and achieve its corporate objectives. On behalf of the Board I would like to thank Bill Edge, who is stepping down from the Board, for his valued service to Alizyme. During the year, David Campbell resigned as Finance Director and Company Secretary and Richard Forrest resigned as Non-Executive Director. I also thank them on behalf of the Board for their contribution to Alizyme. In addition to his role as Chief Executive Officer, Tim McCarthy has assumed overall responsibility for the finances of Alizyme and Nick Blech has been appointed Company Secretary.

The world's pharmaceutical industry is facing a challenging future as it deals with patent expiries on blockbuster products, the ongoing need to renew product pipelines, increasing regulatory costs and an uncertain economic environment. All companies are having to be flexible in how they construct licensing deals in these capital constrained markets and it is likely that the deals of the future may be very different from those of the past. Alizyme recognises these challenges and is being innovative in its current discussions with potential partners as we look to sign new deals and commercialise our assets further.

Alizyme is well placed with its portfolio of patent protected products and low operating costs to exploit its assets with its existing partners and to generate additional sources of revenue through new deals in unlicensed territories across its portfolio. I look forward to the future of Alizyme with confidence.

The Board wishes to express its appreciation to all our shareholders for their continued support and to all the staff at Alizyme and our collaborators and advisors for their significant contribution throughout 2008.

Sir Brian Richards CBE

Chairman

23 March 2009

Chief Executive's review

Overview

Alizyme has continued the progress made in 2007 into 2008 in commercialising its assets.

In June 2008 Alizyme established a new commercial partnership, licensing COLAL-PRED[®] to Norgine BV ("Norgine") for Europe and other territories, resulting in an upfront payment of €2.0 million. Takeda Pharmaceutical Company Limited ("Takeda"), our partner for cetilistat in Japan, progressed cetilistat into Phase III development, triggering a milestone payment of US\$3.0 million in September 2008. Alizyme now has three licence agreements in place which have each generated revenues in the last 18 months. Going forward, these licence agreements will generate substantial further revenues on the achievement of certain milestones and events, as well as royalties on product sales.

Following the completion in 2008 of Alizyme sponsored clinical trials, the majority of future R&D expenditure is now being borne by our commercial partners. With the benefit of multiple revenue streams, in conjunction with our very low overhead cost base, we believe Alizyme is extremely well positioned to achieve our aim of becoming a profitable biopharmaceutical product development company leading to a self-sustaining financial profile.

Operational

Cetilistat

Alizyme's metabolic product, cetilistat, is being developed for the treatment of obesity and type 2 diabetes.

In September 2008 Alizyme announced that, following a successful Phase II study in obese diabetic patients, Takeda had decided to commence Phase III development of cetilistat, triggering a US\$3.0 million milestone. We announced in December 2008 that the study had formally commenced.

Alizyme has now received four payments under the agreement with Takeda, totalling US\$10.0 million to date. In addition, Alizyme may receive further development and sales milestones of up to US\$32.0 million, as well as double digit royalties on future sales in Japan. Takeda is responsible for all development and commercialisation costs in Japan.

The potential revenue stream from the launch of cetilistat in Japan is substantial. We have a number of discussions ongoing with potential commercial partners for territories outside of Japan where the opportunity for additional revenue streams for cetilistat is significantly greater.

In March 2008 Alizyme announced that FDA had agreed all three protocols for its Phase III development programme for cetilistat in the treatment of obesity under the Special Protocol Assessment ("SPA") procedure and recommended that Alizyme open a separate IND for the investigation of cetilistat in diabetes. This is a very significant development as cetilistat, if approved for diabetes, would gain access to the oral anti-diabetic market with its very high rates of reimbursement, as well as the anti-obesity market, so greatly increasing its sales potential.

The competitive environment has changed positively for cetilistat with the withdrawal of the CB-1 antagonist rimonabant (Acomplia[®]) from the market, and the abandonment of other CB-1 antagonists in development due to concerns over the safety of this class of molecule. For any anti-obesity or anti-diabetic medication that is likely to be given long-term, possibly for life, the safety of the drug is absolutely paramount. A drug such as cetilistat has an inherent safety advantage over centrally acting drugs as it acts locally in the gastrointestinal tract. Cetilistat is therefore very well placed to secure a significant proportion of the future obesity and type 2 diabetes markets due to its excellent safety profile.

COLAL-PRED[®]

COLAL-PRED[®] is a proprietary gastrointestinal product developed by Alizyme for the treatment of ulcerative colitis ("UC").

Alizyme has partnerships with Norgine, Prometheus Laboratories Inc ("Prometheus") and TSD Japan Inc ("TSD") for the development and commercialisation of COLAL-PRED[®].

In June 2008 Alizyme entered into an agreement with Norgine, a leading European specialty pharmaceutical company with a focus on gastroenterology, for the development and marketing of COLAL-PRED® in Europe, South Africa, Australia and New Zealand. Alizyme received an upfront payment of €2.0 million and a further €40.75 million may be received from Norgine by Alizyme on the achievement of future development and sales milestones, as well as double digit royalty rates that increase with higher annual net sales levels. Norgine is responsible for all commercialisation costs.

Alizyme entered into an agreement with Prometheus for the development of COLAL-PRED® in North America in November 2007, receiving an upfront payment of US\$2.5 million. Under that agreement a further US\$15.0 million could be received from Prometheus by Alizyme on the product achieving future development milestones as well as royalty rates which increase with higher annual net sales. Prometheus is primarily responsible for clinical development costs for the licensed territory. Prometheus commenced Phase II clinical development for the treatment of UC in the US in May 2008.

Alizyme entered into an agreement with TSD for the co-development of COLAL-PRED® in Japan in December 2007. Under that agreement TSD is predominantly responsible for Phase I and Phase II clinical development costs, and all future milestones and any royalties earned in Japan would be shared equally between Alizyme and TSD. In November 2008 we reported that TSD had commenced Phase I development of COLAL-PRED® in Japan.

Alizyme is also in discussions in relation to commercialising this product in territories where it is not currently licensed to commercial partners.

In July 2008 Alizyme reported trial results for its European Phase III study of COLAL-PRED® in the treatment of acute UC. COLAL-PRED® demonstrated superior safety and superior combined safety and efficacy compared to conventional oral prednisolone. A co-primary endpoint based on the Disease Activity Index ("DAI") of efficacy of COLAL-PRED® compared with the efficacy of conventional prednisolone was not met. However, COLAL-PRED® did show equivalent efficacy compared to conventional prednisolone after 8 weeks' dosing in the treatment of acute UC, based on patient reported symptoms (Simple Clinical Colitis Activity Index ("SCCAI") score). In addition, the results confirm the potential of COLAL-PRED® for long term use in the maintenance of remission of UC which is not possible with conventional corticosteroids. The strategy for the submission of the EU Marketing Authorisation Application ("MAA") is being progressed with Norgine in conjunction with ongoing discussions with regulatory authorities.

ATL-104

ATL-104 is being developed by Alizyme as an orally administered mouthwash for the treatment of mucositis of the mouth and gastrointestinal tract arising during cancer treatment.

In a Phase IIa 'proof of concept' clinical trial in patients with lymphoma and myeloma, ATL-104 has been shown to be safe and well tolerated, and demonstrated a significant reduction in the duration of severe mucositis. Preparations are ongoing for the next phase of clinical development of ATL-104, a study in patients being treated for head and neck cancer. Additionally the manufacturing technology will be transferred to a commercial facility in preparation for manufacturing scale-up for Phase III clinical trials and commercial supply. These activities will continue when financial resources permit.

Alizyme is progressing discussions with a number of potential licence partners for this product.

Renzapride

In April 2008, the development of renzapride was discontinued following results of the Phase III study.

Financial

The financial information for the year ended 31 December 2008 is presented in accordance with the Group's accounting policies based on International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Results of operations

Loss for the year

We report a loss after tax of £10,060,000 for the year ended 31 December 2008 (H1 2008: £8,919,000; H2 2008: £1,141,000; 2007: £31,245,000), which is to be set against reserves. The loss in any financial period

continues to be a direct reflection of the level of research and development activity in that period. Alizyme's outsourcing business model combines low fixed overheads with a variable and controllable level of investment appropriate to the activities, particularly clinical trials, involved in progressing our products through their late stage development. The reduction in the loss for 2008 compared to that for 2007 and the reduction in the loss for the second half of 2008 when compared to the loss for the first half of 2008, demonstrates the effect of the reduction in clinical trial activity during the year. There are no ongoing clinical trials sponsored by Alizyme, therefore current research and development expenditure is much lower.

Revenue

The cash receipts during the year which related to upfront and milestone payments arising from partnerships totalled £3,294,000 (H1 2008: £1,582,000; H2 2008: £1,712,000; 2007: £1,208,000).

In line with Alizyme's accounting policies, revenues of £1,855,000 were recognised for the year (H1 2008: £49,000; H2 2008: £1,806,000; 2007: £13,000), derived as follows:

Revenue of £1,712,000 was recognised in full in respect of a US\$3,000,000 milestone payment received from Takeda during the year following Takeda's decision to commence Phase III development of cetilistat in Japan. This revenue was received in September 2008.

Revenues of £143,000 were also recognised, relating to the US\$2,500,000 (£1,208,000) up front payment received from Prometheus in November 2007 and the €2,000,000 (£1,582,000) received from Norgine in June 2008.

In 2007 revenues of £13,000 were recognised, relating to the up front payment received from Prometheus.

Research and development

Research and development expenditure for the year was £11,225,000 (H1 2008: £8,770,000; H2 2008: £2,455,000; 2007: £31,136,000). This reflects the reduced activity associated with completion of two Phase III clinical studies in the first half of the year compared to both studies ongoing throughout 2007, which gave rise to the highest annual R&D expenditure in Alizyme's history. Alizyme's outsourcing model means that with no ongoing clinical studies, research and development expenditure has been substantially reduced.

Total management and administration costs

Management and administration expenses in 2008 were £1,773,000 (H1 2008: £725,000; H2 2008: £1,048,000; 2007: £1,713,000).

Share-based payment costs were £602,000 (H1 2008: £323,000; H2 2008: £279,000; 2007: £676,000).

During the year, the Directors implemented measures to reduce ongoing overhead costs, including reducing the number of staff. Headcount reduced from 23 to 13. Included in the second half of 2008 were one-off costs of £538,000 associated with termination of employment. The Executive Directors have not been awarded a bonus for 2008, or any increase in remuneration for 2009. Non-Executive Director fees were similarly frozen at 2008 levels. In addition, the Executive Directors have waived their entitlement to share awards under The Alizyme plc 2007 Deferred Bonus Plan relating to the bonuses awarded for 2007.

Furthermore, in order to ensure that overall Board remuneration is in line with the generally reduced costs going forward, all Directors have waived one-third of their entitlement to remuneration and fees, with effect from 1 April 2009.

Interest

Interest receivable was £252,000 (H1 2008: £185,000; H2 2008: £67,000; 2007: £845,000). Lower receipts in 2008 were due to lower levels of funds on deposit and reductions in interest rates.

Foreign exchange loss

During the year, foreign exchange losses were nil (H1 2008: £21,000 loss; H2 2008: £21,000 gain; 2007: £36,000 loss) arising as a consequence of the volatility in exchange rates during the year.

Taxation

The research and development tax credit for 2008 amounted to £1,433,000 (H1 2008: £686,000; H2 2008: £747,000; 2007: £1,458,000). Of this amount, £1,412,000 was receivable at the year end (2007: £1,458,000) and was received in February 2009.

Liquidity, cash, cash equivalents and money market investments

The net cash outflow from operating activities was £13,236,000 (H1 2008: £7,516,000; H2 2008: £5,720,000; 2007: £23,238,000), primarily reflecting the development activity arising from the two Phase III clinical trials which were ongoing throughout 2007 and completed during 2008. Cash and cash equivalents and money market investments totalled £2,185,000 at 31 December 2008 (2007: £5,802,000).

Following completion of Phase III studies for renzapride and COLAL-PRED[®] during the year, the ongoing clinical trial activity has significantly reduced and, as a result, the Directors have rationalised headcount as well as implemented other cost reduction strategies as appropriate, thereby reducing the Company's base level cash requirements.

Dividend

The Directors do not recommend the payment of a dividend (2007: nil).

Going concern

The preliminary results have been prepared on a going concern basis, relying on assumptions about receipt of income from future milestones under existing licence agreements, as explained in note 2 to the financial information. Whilst the amounts of the assumed milestones are contracted, the events giving rise to receipt of such milestones, such as further clinical development of the licensed product, are outside the direct control of Alizyme and the timing of receipt of any such milestone is inherently uncertain. Thus these events and conditions represent a material uncertainty over the profile of the Group's future cash flows and therefore may cast significant doubt about its ability to continue as a going concern. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial information.

Summary and outlook

We continue to move forward towards our objective of building a company with multiple sources of revenue from different commercial partners and products.

I believe that Alizyme is unique in its combination of existing commercial partnerships with established revenue streams, the opportunity to establish additional sources of revenue through exploiting its products with further deals and a virtual business model with low overheads.

We also have the benefit of a highly experienced and dedicated team at the core of Alizyme driving it forward.

It is for these reasons that I look forward to the future with increasing confidence in achieving our ultimate objective of becoming a profitable, self-sustaining, biopharmaceutical product development company.

Tim McCarthy
Chief Executive Officer
23 March 2009

Consolidated income statement
For the year ended 31 December 2008
Unaudited

	Notes	2008 £000's	2007 £000's
Revenue		<u>1,855</u>	<u>13</u>
Operating expenses			
Research and development expenses		<u>(11,225)</u>	<u>(31,136)</u>
Management and administration excluding share-based payment charge		(1,773)	(1,713)
Share-based payment		<u>(602)</u>	<u>(676)</u>
Total management and administration expenses		<u>(2,375)</u>	<u>(2,389)</u>
Total operating expenses		<u>(13,600)</u>	<u>(33,525)</u>
Operating loss		(11,745)	(33,512)
Investment income		252	845
Loss on foreign exchange transactions		<u>-</u>	<u>(36)</u>
Loss on ordinary activities before taxation		(11,493)	(32,703)
Taxation on loss on ordinary activities		<u>1,433</u>	<u>1,458</u>
Loss for the financial year being the retained loss for the year attributed to the members of Alizyme plc		<u>(10,060)</u>	<u>(31,245)</u>
Loss per share for the year - basic and diluted	3	(4.6)p	(15.6)p

All amounts relate to continuing activities.

Consolidated balance sheet
As at 31 December 2008
Unaudited

	Notes	2008 £000's	2007 £000's
Non-current assets			
Property, plant and equipment		90	176
Current assets			
Research and development tax credit receivable		1,412	1,458
Prepayments		1,587	2,673
Accrued income		-	82
Other receivables		25	398
Money market investments	4	-	3,800
Cash and cash equivalents	4	2,185	2,002
		<u>5,209</u>	<u>10,413</u>
Current liabilities			
Trade and other payables		(2,337)	(8,888)
Deferred revenue		(187)	(80)
		<u>(2,524)</u>	<u>(8,968)</u>
Net current assets		<u>2,685</u>	<u>1,445</u>
Total assets less current liabilities		<u>2,775</u>	<u>1,621</u>
Non-current liabilities			
Deferred revenue		(2,447)	(1,115)
Long-term provisions		-	(8)
		<u>(2,447)</u>	<u>(1,123)</u>
Net assets		<u>328</u>	<u>498</u>
Equity			
Share capital		4,422	4,021
Share premium account		116,599	107,712
Capital reserve		1,530	1,530
Share-based payment reserve		3,144	2,542
Retained loss		(125,367)	(115,307)
Total equity	5	<u>328</u>	<u>498</u>

Consolidated statement of changes in equity
For the year ended 31 December 2008
Unaudited

	Share capital	Share premium account	Capital reserve	Share-based payment reserve	Retained loss	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at						
31 December 2006	3,994	107,106	1,530	1,866	(84,062)	30,434
Loss for the year	-	-	-	-	(31,245)	(31,245)
Share-based payment	-	-	-	676	-	676
Issue of share capital	27	606	-	-	-	633
Balance as at						
31 December 2007	4,021	107,712	1,530	2,542	(115,307)	498
Loss for the year	-	-	-	-	(10,060)	(10,060)
Share-based payment	-	-	-	602	-	602
Issue of share capital	401	8,887	-	-	-	9,288
Balance as at						
31 December 2008	<u>4,422</u>	<u>116,599</u>	<u>1,530</u>	<u>3,144</u>	<u>(125,367)</u>	<u>328</u>

Consolidated cash flow statement
For the year ended 31 December 2008
Unaudited

	Notes	2008 £000's	2007 £000's
Operating activities			
Operating loss		(11,745)	(33,512)
Depreciation charge		83	73
Loss on disposal of fixed assets		6	-
Decrease in accounts receivable		1,459	999
(Decrease)/increase in accounts payable		(6,551)	6,288
Increase in deferred revenue		1,439	1,195
Decrease in provision		(8)	(76)
Share-based payment expense		602	676
Net cash outflow from operations		<u>(14,715)</u>	<u>(24,357)</u>
Research and development tax credit received		1,479	1,119
Net cash outflow from operating activities		<u>(13,236)</u>	<u>(23,238)</u>
Investing activities			
Interest received		334	879
Net cash withdrawn from money market investments		3,800	1,500
Purchase of property, plant and equipment		(3)	(184)
Net cash inflow from investing activities		<u>4,131</u>	<u>2,195</u>
Financing activities			
Proceeds on issue of ordinary share capital (net of expenses)		9,288	633
Net cash inflow from financing activities		<u>9,288</u>	<u>633</u>
Net increase/(decrease) in cash and cash equivalents		183	(20,410)
Cash and cash equivalents at beginning of year		2,002	22,448
Effect of foreign exchange rate changes		-	(36)
Cash and cash equivalents at end of year	4	<u>2,185</u>	<u>2,002</u>

1 Financial information

The financial information set out in this unaudited preliminary statement does not comprise Alizyme's statutory accounts within the meaning of section 240(5) of the Companies Act 1985. The statutory accounts of Alizyme for the year ended 31 December 2008, currently unaudited, will be finalised on the basis of the financial information presented by the Directors in this unaudited preliminary statement and will be delivered to the Registrar of Companies for England and Wales and will be published and sent to shareholders in due course.

Alizyme will produce its statutory accounts for the year ended 31 December 2008 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). Whilst the financial information included in this unaudited preliminary statement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The financial information set out in this unaudited preliminary statement includes comparative figures that have been prepared on the same basis. The auditors have reported on the financial statements for the year ended 31 December 2007 which were prepared under IFRS. Their report was unqualified and did not contain any statements under s237(2) or (3) Companies Act 1985.

As explained in note 2 below, the financial information has been prepared on a going concern basis. The auditors are yet to sign their report on the statutory accounts for the year ended 31 December 2008 and have indicated that their audit report will be modified by the inclusion of an emphasis of matter paragraph which highlights the existence of a material uncertainty with respect to receipt of income on achievement of certain milestones by third parties under existing licence agreements that cast significant doubt on the Group's ability to continue as a going concern.

This preliminary statement was approved by the Board on 23 March 2009.

2 Basis of preparation - Going concern

In determining the appropriate basis of preparation of the financial information, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group had cash and cash equivalents and money market investments of £2,185,000 as at 31 December 2008 and incurred a loss of £10,060,000 for the twelve months then ended. The Directors have prepared a detailed cash flow forecast for the period ending 31 December 2010 ("the Forecast") that includes a number of significant assumptions regarding income and expenditure.

The Forecast assumes receipt of income on achievement of certain milestones by third parties under existing licence agreements. Whilst the amounts of the assumed milestones are contracted, the events giving rise to receipt of such milestones, such as further clinical development of the licensed product, are outside the direct control of Alizyme and the timing of receipt of any such milestone is inherently uncertain. Based on their understanding of the status of product development and their discussions with licensees, the Directors are of the view that it is reasonable to assume that such income will be received.

Since the announcement of results from two large Phase III studies in April 2008 and July 2008, clinical trial activity and expenditure have significantly reduced and, as a result, the Directors have rationalised headcount as well as implemented other cost saving strategies as appropriate.

In addition, the Directors are currently in discussions with a number of parties regarding further commercialisation of the Group's intellectual property assets, the successful conclusion of which would give rise to significant cash inflows to the Group, depending upon the specific terms that are agreed. These inflows are not included in the Forecast, which has been prepared solely for the assessment of the going concern basis of preparation of the financial information.

Having reviewed the Forecast and made reasonable enquiries in to the underlying assumptions, the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due for the foreseeable future. It is on this basis that the Directors consider it appropriate to prepare the Group's financial statements on the going concern basis. However, for the reasons described above, as at the date of approval of the preliminary announcement, there exists a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial information does not include any adjustments which may be necessary if the Group was unable to continue to operate.

3 Loss per share

As at the year end there were outstanding options over 6,064,358 ordinary shares (2007: 6,727,395 ordinary shares) in the Company and share awards over 1,937,330 ordinary shares (2007: nil) in the Company. IAS 33 - "Earnings per Share" requires presentation of diluted earnings per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. Only options that are 'in the money' are treated as dilutive and net loss per share would not be increased by the exercise of these options. Therefore no adjustment has been made to dilute loss per share for any outstanding share options or share awards.

The calculation of basic and diluted loss per ordinary share is based on the loss after tax of £10,060,000 for the year ended 31 December 2008 (2007: £31,245,000) and on 217,267,171 ordinary shares (2007: 200,366,909 ordinary shares), being the weighted average number of ordinary shares in issue during the year.

4 Cash, cash equivalents and money market investments

	2008 £000's	2007 £000's
Money market investments	-	3,800
Cash and cash equivalents	2,185	2,002
	<u>2,185</u>	<u>5,802</u>

5 Reconciliation of movements in Group shareholders' funds

	2008 £000's	2007 £000's
Loss for the year	(10,060)	(31,245)
Share-based payment	602	676
New ordinary shares issued net of expenses	9,288	633
Net (decrease)/increase in shareholders' funds	<u>(170)</u>	<u>(29,936)</u>
Opening equity shareholders' funds	498	30,434
Closing equity shareholders' funds	<u>328</u>	<u>498</u>

(Note: COLAL[®] and COLAL-PRED[®] are registered trademarks of Alizyme Therapeutics Limited)

The identification of compounds for successful research, their progress through development and the obtaining of regulatory approvals or authorisations before marketing, manufacture and/or distribution of products is not certain or a formality