

ATRIX LABORATORIES INC

Form 10-K/A

June 18, 2003

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

FORM 10-K/A

Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2002

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 0-18231

ATRIX LABORATORIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

84-1043826
(I.R.S. Employer
Identification No.)

2579 Midpoint Drive Fort Collins, Colorado
(Address of principal executive office)

80525
(Zip Code)

Registrant's telephone number, including area code: (970) 482-5868

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock \$.001 par value

(Title of Class)

Series A Preferred Stock Purchase Rights

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No []

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 28, 2002 was \$390,500,961, based upon the closing sale price on the Nasdaq National Market for that date. This calculation excludes shares of common stock held by registrant's officers and directors and each person known by the registrant to beneficially own more than 5% of the registrant's outstanding common stock, as such persons may be deemed to be affiliates. This determination of affiliate status should not be deemed conclusive for any other purpose.

The number of shares outstanding of the Registrant's common stock as of March 19, 2003 was 20,539,016.

DOCUMENTS INCORPORATED BY REFERENCE:

The information required by Part III of this report is incorporated by reference to the registrant's definitive Proxy Statement for the Annual Meeting of Stockholders scheduled to be held on April 27, 2003.

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EX-99.1 Certification of Chief Executive Officer

EX-99.2 Certification of Chief Financial Officer

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Explanatory Note

This Amendment No. 1 on Form 10-K/A amends the Registrant's Annual Report on Form 10-K, as filed by the Registrant on March 25, 2003, and is being filed solely to include under Item 15 the financial statements required by Rule 3-09 of Regulation S-X of the Registrant's joint venture, Transmucosal Technologies Ltd. Transmucosal Technologies is a Bermuda company owned by the Registrant and Elan International Services Ltd., a wholly owned subsidiary of Elan Corporation plc, holding 80.1% and 19.9% (non-voting shares) of the shares, respectively. Except as otherwise stated herein, all other information contained in the original Report was current as of the date of filing of the Report on March 25, 2003, and has not been updated by this Amendment No. 1.

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PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) Our following documents are filed as part of this Report:

1. Consolidated Financial Statements

Independent Auditors' Report

Consolidated Balance Sheets - December 31, 2002 and 2001

Consolidated Statements of Operations - Years Ended December 31, 2002, 2001, and 2000

Consolidated Statements of Changes in Shareholders' Equity - Years Ended December 31, 2002, 2001, and 2000

Consolidated Statements of Cash Flows - Years Ended December 31, 2002, 2001, and 2000

Notes to the Consolidated Financial Statements

2. Consolidated Financial Statement Schedules

The following financial statements of Transmucosal Technologies Ltd., the Registrant's joint venture with Elan International Services Ltd., a wholly owned subsidiary of Elan Corporation plc, are filed as part of this Report.

Balance Sheets as at December 31, 2002 and 2001 (unaudited)

Statements of Loss for the Periods Ended December 31, 2002 and 2001 (unaudited)

Statements of Changes in Shareholders' Equity for the Periods Ended December 31, 2002 and 2001 (unaudited)

Statements of Cash Flows for the Periods Ended December 31, 2002 and 2001 (unaudited)

Notes to Financial Statements

Independent Auditors' Report

Balance Sheet as at December 31, 2000

Statement of Loss for the Period from July 14, 2000 (Date of Incorporation) to December 31, 2000

Statement of Changes in Shareholders' Equity for the Period from July 14, 2000 (Date of Incorporation) to December 31, 2000

Statement of Cash Flows for the Period from July 14, 2000 (Date of Incorporation) to December 31, 2000

Notes to the Financial Statements

Other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission have been omitted because they are not required under the related instructions or the information related is contained elsewhere in the financial statements.

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3. Exhibits

The exhibits are set forth in the Exhibit Index.

(b) Reports on Form 8-K: We did not file any Current Reports on Form 8-K during the quarter ended December 31, 2002.

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SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on our behalf by the undersigned, thereunto duly authorized.

ATRIX LABORATORIES, INC.
(Registrant)

Date: June 18, 2003

By: /s/ Brian G. Richmond

Brian G. Richmond
Chief Financial Officer, Secretary
and Treasurer

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CERTIFICATIONS

I, David R. Bethune, Chairman and Chief Executive Officer of Atrix Laboratories, Inc., certify that:

1. I have reviewed this annual report on Form 10-K/A of Atrix Laboratories, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and
 - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 18, 2003

/s/ David R. Bethune

David R. Bethune
Chairman and Chief Executive Officer

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I, Brian G. Richmond, Chief Financial Officer of Atrix Laboratories, Inc., certify that:

1. I have reviewed this annual report on Form 10-K/A of Atrix Laboratories, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and
 - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 18, 2003

/s/ Brian G. Richmond

Brian G. Richmond
Chief Financial Officer

Table of Contents**TRANSMUCOSAL TECHNOLOGIES LTD.**

Balance Sheets

December 31, 2002 and 2001
(Expressed in United States Dollars)

	<u>2002</u>	<u>2001</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>
Assets		
Cash and cash equivalents	\$ 1,964	\$ 2,144
	<u>1,964</u>	<u>2,144</u>
Total assets	\$ 1,964	\$ 2,144
	<u>1,964</u>	<u>2,144</u>
Liabilities		
Accounts payable and accrued expenses	\$ 258,599	\$ 951,562
	<u>258,599</u>	<u>951,562</u>
Total liabilities	258,599	951,562
	<u>258,599</u>	<u>951,562</u>
Shareholders equity		
Share capital (Note 5)	12,000	12,000
Share premium (Note 6)	14,988,000	14,988,000
Contributed surplus (Note 7)	5,311,667	3,436,107
Retained deficit	(20,568,302)	(19,385,525)
	<u>(256,635)</u>	<u>(949,418)</u>
Total shareholders equity	(256,635)	(949,418)
	<u>(256,635)</u>	<u>(949,418)</u>
Total liabilities and shareholders equity	\$ 1,964	\$ 2,144
	<u>1,964</u>	<u>2,144</u>

See accompanying notes to financial statements

Table of Contents**TRANSMUCOSAL TECHNOLOGIES LTD.**

Statements of Loss

Periods Ended December 31, 2002 and 2001

(Expressed in United States Dollars)

	2002	2001
	(unaudited)	(unaudited)
Income		
Net investment income	\$	\$ 48
	<u> </u>	<u> </u>
Total income		48
	<u> </u>	<u> </u>
Expenses		
Research and development (Note 3)	1,165,835	4,091,081
Audit fees	2,897	9,776
Government fees	9,345	9,345
License fee (Note 4)		
General and administrative	4,700	5,440
	<u> </u>	<u> </u>
Total operating expenses	1,182,777	4,115,642
	<u> </u>	<u> </u>
Net loss	\$(1,182,777)	\$(4,115,594)
	<u> </u>	<u> </u>

See accompanying notes to financial statements

Table of Contents**TRANSMUCOSAL TECHNOLOGIES LTD.**

Statements of Changes in Shareholders' Equity

Periods Ended December 31, 2002 and 2001

(Expressed in United States Dollars)

	<u>2002</u>	<u>2001</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>
Share Capital		
Balance at beginning of period	\$ 12,000	\$ 12,000
Shares issued during the period (Note 5)		
Balance at end of period	<u>12,000</u>	<u>12,000</u>
Share premium		
Balance at beginning of period	14,988,000	14,988,000
Share premium during the period (Note 6)		
Balance at end of period	<u>14,988,000</u>	<u>14,988,000</u>
Contributed surplus		
Balance at beginning of period	3,436,107	
Contributed surplus during year (Note 7)	1,875,560	3,436,107
Balance at end of period	<u>5,311,667</u>	<u>3,436,107</u>
Retained deficit		
Balance at beginning of period	(19,385,525)	(15,269,931)
Net loss for the period	(1,182,777)	(4,115,594)
Balance at end of period	<u>(20,568,302)</u>	<u>(19,385,525)</u>
Total shareholders' equity	<u>\$ (256,635)</u>	<u>\$ (949,418)</u>

See accompanying notes to financial statements

Table of Contents**TRANSMUCOSAL TECHNOLOGIES LTD.**

Statements of Cash Flows

Periods Ended December 31, 2002 and 2001

(Expressed in United States Dollars)

	<u>2002</u>	<u>2001</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>
Cash flows from operating activities		
Net loss	\$(1,182,777)	\$(4,115,594)
Adjustments to reconcile net income to net cash provided by operating activities		
Accounts payable and accrued expenses	(692,963)	681,631
	<u> </u>	<u> </u>
Cash used by operating activities	(1,875,740)	(3,433,963)
	<u> </u>	<u> </u>
Cash flows from financing activities		
Contributed surplus	1,875,560	3,436,107
	<u> </u>	<u> </u>
Cash provided by financing activities	1,875,560	3,436,107
	<u> </u>	<u> </u>
Net increase (decrease) in cash and cash equivalents	(180)	2,144
Cash and cash equivalents at beginning of period	2,144	<u> </u>
	<u> </u>	<u> </u>
Cash and cash equivalents at end of period	\$ 1,964	\$ 2,144
	<u> </u>	<u> </u>

See accompanying notes to financial statements

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TRANSMUCOSAL TECHNOLOGIES LTD.

Notes to Financial Statements
December 31, 2002 and 2001

1. General

Transmucosal Technologies Ltd. (the Company) was incorporated in Bermuda on July 14, 2000 as Atrix Newco, Ltd. The Company is owned by Atrix Laboratories, Inc. (Atrix) and Elan International Services Ltd. (EIS), a wholly-owned subsidiary of Elan Corporation plc, holding 80.1% and 19.9% (non-voting shares) of the shares, respectively. On December 14, 2000, the Company changed its name to Transmucosal Technologies Ltd.

The primary objective of the Company is to carry on the business of the development, testing, registration, manufacturing, commercialization, and licensing of Products (as defined in the Subscription, Joint Development and Operating Agreement (JDOA) dated July 18, 2000 between EIS, Atrix and the Company. The focus of the collaborative venture will be to develop the Products using the Elan Intellectual Property, the Atrix Intellectual Property and the Atrix Technology pursuant to the JDOA.

2. Significant accounting policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following are the significant accounting policies adopted by the Company:

(a) *Going concern*

These financial statements have been prepared on the basis that the Company is a going concern. The Company's ability to continue operating is dependent on achieving profitable operations and/or receiving additional development funding. It is the opinion of management that the Company will be a going concern based on additional development funding as described in Note 7.

Table of Contents**TRANSMUCOSAL TECHNOLOGIES LTD.**

Notes to Financial Statements
December 31, 2002 and 2001

(b) Research and development costs

Research costs are charged as an expense of the period in which they are incurred. Development costs are deferred to future periods if certain criteria relating to future benefits are satisfied and if the costs do not exceed the expected future benefits.

(c) Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

3. Related party transactions

The following table summarizes the Company's related party transactions for the period ending December 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Research and development costs to shareholders	\$ 1,165,835	\$ 4,091,081

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. License fee

During fiscal 2000, the Company paid a license fee to Elan Corporation plc in the amount of \$15,000,000 to acquire rights to certain Elan intellectual property. This license fee, which is non-refundable, was expensed in the period ended December 31, 2000.

5. Share capital

Voting common shares, of par value US\$1.00 per share 6,000 shares authorized, issued and fully paid	\$ 6,000
Non-voting convertible preferred shares, of par value US\$1.00 per share 6,000 shares authorized, issued and fully paid	\$ 6,000
	<u>\$ 12,000</u>

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TRANSMUCOSAL TECHNOLOGIES LTD.

Notes to Financial Statements
December 31, 2002 and 2001

At any time after July 18, 2002, each holder of the preferred shares shall have the right to convert all, or a portion, of such preferred shares into common shares on a one-to-one basis, as outlined in the by-laws of the Company.

6. Share premium

Share premium represents amounts contributed by shareholders in excess of the par value of the shares subscribed for.

7. Development funding

It is estimated that the Company may require an initial research and development budget of approximately \$10 million, within the first 24 to 36 months from the date of incorporation, to commence development of the Products based upon the Elan Technology, Atrix Technology and/or Company Technology. The Development Funding shall be applied to the Company's research and development costs associated with development of the products. At December 31, 2002, \$5,311,667 had been contributed as development funding.

8. Taxes

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of such taxes being imposed, the Company will be exempted from taxation until the year 2016.

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INDEPENDENT AUDITORS REPORT

We have audited the accompanying balance sheet of Transmucosal Technologies Ltd. as at December 31, 2000 and the related statement of loss, changes in shareholders' equity and cash flows for the period from July 14, 2000 (Date of Incorporation) to December 31, 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transmucosal Technologies Ltd. as at December 31, 2000 and the results of its operations and its cash flows for the period from July 14, 2000 (Date of Incorporation) to December 31, 2000 in conformity with United States generally accepted accounting principles.

/s/KPMG

Chartered Accountants
Hamilton, Bermuda
April 20, 2001

Table of Contents**TRANSMUCOSAL TECHNOLOGIES LTD.**

Balance Sheet

December 31, 2000

(Expressed in United States Dollars)

Liabilities	
Accounts payable and accrued expenses	\$ 269,931
	<u> </u>
Total liabilities	269,931
	<u> </u>
Shareholders equity	
Share capital (Note 5)	12,000
Share premium (Note 6)	14,988,000
Retained deficit	(15,269,931)
	<u> </u>
Total shareholders equity	(269,931)
	<u> </u>
Total liabilities and shareholders equity	\$ <u> </u>

See accompanying notes to financial statements

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TRANSMUCOSAL TECHNOLOGIES LTD.

Statement of Loss

Period from July 14, 2000 (Date of Incorporation) to December 31, 2000
(Expressed in United States Dollars)

Expenses	
Research and development (Note 3)	\$ 251,482
License fee (Note 4)	15,000,000
General and administrative	18,449
	<hr/>
Total operating expenses	15,269,931
	<hr/>
Net loss	<u>\$ (15,269,931)</u>

See accompanying notes to financial statements

Table of Contents**TRANSMUCOSAL TECHNOLOGIES LTD.**

Statement of Changes in Shareholders' Equity

Period from July 14, 2000 (Date of Incorporation) to December 31, 2000
(Expressed in United States Dollars)

Share Capital	
Balance at beginning of period	\$
Shares issued during the period (Note 5)	12,000
	<u> </u>
Balance at end of period	12,000
	<u> </u>
Share premium	
Balance at beginning of period	
Share premium during the period (Note 6)	14,988,000
	<u> </u>
Balance at end of period	14,988,000
	<u> </u>
Retained Deficit	
Balance at beginning of period	
Net loss for the period	(15,269,931)
	<u> </u>
Balance at end of period	(15,269,931)
	<u> </u>
Total shareholders' equity	\$ (269,931)
	<u> </u>

See accompanying notes to financial statements

Table of Contents**TRANSMUCOSAL TECHNOLOGIES LTD.**

Statement of Cash Flows

Period from July 14, 2000 (Date of Incorporation) to December 31, 2000
(Expressed in United States Dollars)

Cash flows from operating activities	
Net loss	\$(15,269,931)
Adjustments to reconcile net income to net cash provided by operating activities	
Accounts payable and accrued expenses	269,931
	<u> </u>
Cash used by operating activities	(15,000,000)
	<u> </u>
Cash flows from financing activities	
Proceeds from issuance of shares	15,000,000
	<u> </u>
Cash provided by financing activities	15,000,000
	<u> </u>
Net increase in cash and cash equivalents	
Cash and cash equivalents at beginning of period	<u> </u>
Cash and cash equivalents at end of period	\$ <u> </u>

See accompanying notes to financial statements

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TRANSMUCOSAL TECHNOLOGIES LTD.

Notes to Financial Statements

December 31, 2000

1. General

Transmucosal Technologies Ltd. (the Company) was incorporated in Bermuda on July 14, 2000 as Atrix Newco, Ltd. The Company is owned by Atrix Laboratories, Inc. (Atrix) and Elan International Services Ltd. (EIS), a wholly-owned subsidiary of Elan Corporation plc, holding 80.1% and 19.9% (non-voting shares) of the shares, respectively. On December 14, 2000, the Company changed its name to Transmucosal Technologies Ltd.

The primary objective of the Company is to carry on the business of the development, testing, registration, manufacturing, commercialization, and licensing of Products (as defined in the Subscription, Joint Development and Operating Agreement (JDOA) dated July 18, 2000) between EIS, Atrix and the Company. The focus of the collaborative venture will be to develop the Products using the Elan Intellectual Property, the Atrix Intellectual Property and the Atrix Technology pursuant to the JDOA.

2. Significant accounting policies

The Company follows accounting principles generally accepted in the United States. Significant accounting policies are as follows:

(a) Going concern

These financial statements have been prepared on the basis that the Company is a going concern. The Company's ability to continue operating is dependent on achieving profitable operations and/or receiving additional development funding. It is the view of management that the Company will be a going concern based on additional development funding as described in Note 7.

(b) Research and development costs

Research costs are charged as an expense of the period in which they are incurred. Development costs are deferred to future periods if certain criteria relating to future benefits are satisfied and if the costs do not exceed the expected future benefits.

(c) Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

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3. Related party transactions

The following table summarizes the Company's related party transactions for the period:

Research and development costs to shareholder	\$251,482
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These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. License fee

During fiscal 2000, the Company paid a license fee to Elan Corporation plc in the amount of \$15,000,000 to acquire rights to certain Elan intellectual property. This license fee which is non-refundable has been expensed in the current fiscal period.

5. Share capital

Voting common shares, for par value US\$1.00 per share 6,000 shares authorized, issued and fully paid	\$ 6,000
Non-voting convertible preferred shares, of par value US\$1.00 per share 6,000 shares authorized, issued and fully paid	\$ 6,000
	<u> </u>
	<u>\$12,000</u>

At any time after July 18, 2002, each holder of the preferred shares shall have the right to convert all, or a portion, of such preferred shares into common shares on a one-to-one basis, as outlined in the by-laws of the Company.

6. Share premium

Share premium represents amounts contributed by shareholders in excess of the par value of the shares subscribed for.

7. Development funding

It is estimated that the Company may require an initial research and development budget of approximately \$10 million, within the first 24 to 36 months from the date of incorporation, to commence development of the Products based upon the Elan Technology, Atrix Technology and/or Company Technology. The Development Funding shall be applied to the Company's research and development costs associated with development of the products.

8. Taxes

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the

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Minister of Finance in Bermuda that in the event of such taxes being imposed, the Company will be exempted from taxation until the year 2016.

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Exhibit Number	Description
2.1	Agreement and Plan of Reorganization dated November 24, 1998 by and among Atrix Laboratories, Inc., Atrix Acquisition Corporation and ViroTex Corporation.(1)
2.2	Certificate of Merger of Atrix Acquisition Corporation into ViroTex Corporation dated November 24, 1998.(1)
3.1	Amended and Restated Certificate of Incorporation.(2)
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation.(3)
3.3	Certificate of Designation of the Series A Preferred Stock filed with the State of Delaware on September 25, 1998.(4)
3.4	Certificate of Designations of Preferences and Rights of Series A Convertible Exchangeable Preferred Stock filed with the State of Delaware on July 18, 2000.(5)
3.5	Ninth Amended and Restated Bylaws.(6)
4.1	Form of Common Stock Certificate.(7)
4.2	Amended and Restated Rights Agreement (including form of Right Certificate, as Exhibit A, and form of Summary of Rights, as Exhibit B).(8)
4.3	Registration Rights Agreement, dated as of July 18, 2000, between Registrant and Elan International Services, Ltd., or EIS.(5)
4.4	Warrant dated as of July 18, 2000, issued by Registrant to EIS.(5)
4.5	Convertible Promissory Note, dated as of July 18, 2000, issued by Registrant to EIS.(5)
4.6	Warrant, dated as of April 4, 2001, issued by Atrix Laboratories, Inc. to Ferghana Partners, Inc.(9)
4.7	Indenture, dated November 15, 1997, by and among the Registrant and State Street Bank and Trust Company of California, N.A., as trustee thereunder including the Form of Note.(10)
4.8	Warrant to purchase 6,750 shares of Atrix Common Stock issued to Gulfstar Investments, Limited.(2)
10.1	Lease Agreement dated May 11, 1991 between the Registrant and GB Ventures.(7)
10.2	Agreement dated December 16, 1996 between the Registrant and Block Drug Corporation (Block Agreement).(11)
10.2A	First Amendment to Block Agreement dated June 10, 1997.(2)**
10.2B	Second Amendment to Block Agreement dated July 31, 1997.(2)**
10.2C	Third Amendment to Block Agreement dated February 4, 1998.(2)**
10.2D	Fourth Amendment to Block Agreement dated January 12, 1999.(2)**

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10.2E	Fifth Amendment to Block Agreement dated January 27, 1999.(2)**
10.2F	Sixth Amendment to Block Agreement dated September 24, 1999.(12)**
10.2G	Eighth Amendment to Block Agreement dated as of August 24, 2001.(13)**
10.3	Amended and Restated Performance Stock Option Plan, as amended.(2)
10.4	Non-Qualified Stock Option Plan, as amended.(2)
10.5	Non-Employee Director Stock Incentive Plan.(14)

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Exhibit Number	Description
10.6	Employment Agreement between Registrant and Dr. J. Steven Garrett dated April 17, 1995.(2)
10.7	Employment Agreement between Registrant and Dr. David W. Osborne dated November 24, 1998.(2)
10.8	Personal Services Agreement between Registrant and David R. Bethune dated August 10, 1999.(14)
10.9	Stock Purchase Agreement, dated as of August 8, 2000, by and between Registrant and Pfizer Inc.(14)
10.10	Collaborative Research Agreement, dated as of August 8, 2000, by and between Registrant and Pfizer Inc.(14)**
10.11	License and Royalty Agreement, dated as of August 8, 2000, by and between Registrant and Pfizer Inc.(14)**
10.12	Collaboration, Development and Supply Agreement dated as of August 28, 2000 between Registrant and Geneva Pharmaceuticals, Inc.(16)**
10.13	Securities Purchase Agreement, dated as of July 18, 2000, between Registrant and EIS.(5)**
10.14	Newco Registration Rights Agreement, dated as of July 18, 2000, among Registrant, Atrix Newco Ltd., or Newco, and EIS.(5)
10.15	Subscription, Joint Development and Operating Agreement, dated as of July 18, 2000, among EIS, Registrant, Newco and Elan Pharma International Limited, or EPIL.(5)**
10.16	Company License Agreement, dated as of July 18, 2000, among Registrant, Newco and Elan Corporation plc, or Elan.(5)**
10.17	EPIL License Agreement, dated as of July 18, 2000 among Elan, EPIL, Newco and Registrant.(5)**
10.18	Collaboration, License and Supply Agreement, dated as of December 8, 2000, by and between Registrant and Sanofi-Synthelabo Inc.(17)**
10.19	Stock Purchase Agreement, dated as of December 29, 2000, by and between Registrant and Sanofi-Synthelabo.(17)
10.20	2000 Stock Incentive Plan.(18)
10.21	License Agreement by and between Registrant and CollaGenex Pharmaceuticals, Inc. dated as of August 24, 2001. (13)**
10.22	Stock Purchase Agreement by and between Registrant and CollaGenex Pharmaceuticals, Inc. dated as of August 24, 2001.(13)**
10.23	Collaboration, License and Supply Agreement by and between Registrant and Fujisawa Healthcare, Inc., dated October 15, 2001.(13)**
10.24	Collaboration, License and Supply Agreement, dated as of April 4, 2001, by and between Registrant and MediGene.(19)**

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10.25 Stock Purchase Agreement, dated as of April 4, 2001, by and between Registrant and
MediGene.(19)**

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Exhibit Number	Description
10.26	2001 Executive Long Term Incentive Compensation Program.(6)
10.27	Registration Rights Agreement, dated as of November 15, 1997, by and among Registrant and NationsBanc Montgomery Securities, Inc. and SBC Warburg Dillion Read, Inc.(10)
10.28	Amended and Restated Performance Stock Option Plan, as amended.(2)
21	Subsidiaries of the Registrant. (18)
23	Consent of Deloitte & Touche LLP*
23.1	Consent of KPMG
99.1	Certification of Chief Executive Officer
99.2	Certification of Chief Financial Officer

* Previously filed with, and incorporated by reference to, the Registrant's original Annual Report on Form 10-K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission on March 25, 2003 (File No. 000-18321).

** We have omitted certain portions of this Exhibit and have requested confidential treatment with respect to such portions.

- (1) Incorporated by reference to Registrant's Current Report on Form 8-K dated November 24, 1998, as filed with the Securities and Exchange Commission (File No. 000-18321).
- (2) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, as filed with the Securities and Exchange Commission (File No. 000-18321).
- (3) Incorporated by reference to Registrant's Registration Statement on Form S-3, filed with the Securities and Exchange Commission on June 5, 2001 (File No. 333-55634).
- (4) Incorporated by reference to Registrant's Registration Statement on Form 8-A, as filed with the Securities and Exchange Commission on October 1, 1998 (File No. 000-18231).
- (5) Incorporated by reference to Registrant's Current Report on Form 8-K dated July 18, 2000, as filed with the Securities and Exchange Commission on August 4, 2000 (File No. 000-18321).
- (6) Incorporated by reference to Registrant's Annual Report on Form 10-K dated December 31, 2001, as filed with the Securities and Exchange Commission (File No. 000-18321).
- (7) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1993, as filed with the Securities and Exchange Commission (File No. 000-18321).

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- (8) Incorporated by reference to Registrant's Current Report on Form 8-K dated November 16, 2001, as filed with the Securities and Exchange Commission on November 27, 2001 (File No. 000-18231).
- (9) Incorporated by reference to Registrant's Registration Statement on Form S-3, filed with the Securities and Exchange Commission on February 6, 2002 (File No. 333-82250).
- (10) Incorporated by reference to Registrant's Current Report on Form 8-K dated November 6, 1997, as filed with the Securities and Exchange Commission on December 9, 1997 (File No. 000-18231).
- (11) Incorporated by reference to Registrant's Current Report on Form 8-K dated December 16, 1996, as amended on May 20, 1998, as filed with the Securities and Exchange Commission (File No. 000-18321).
- (12) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, as filed with the Securities and Exchange Commission (File No. 000-18321).
- (13) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No. 000-18231).
- (14) Incorporated by reference to Registrant's Current Report on Form 8-K dated August 8, 2000, as filed with the Securities and Exchange Commission on September 7, 2000 (File No. 000-18321).
- (15) Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, as filed with the Securities and Exchange Commission (File No. 000-18321).
- (16) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, as filed with the Securities and Exchange Commission (File No. 000-18321).
- (17) Incorporated by reference to Registrant's Current Report on Form 8-K dated December 29, 2000, as filed with the Securities and Exchange Commission on February 23, 2001 (File No. 000-18231).
- (18) Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission (File No. 000-18231).
- (19) Incorporated by reference to Registrant's Current Report on Form 8-K dated April 4, 2001, filed with the Securities and Exchange Commission on June 20, 2001 (File No. 000-18231).