

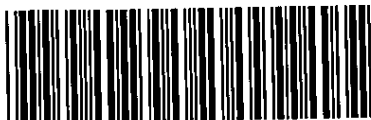
**Avecia Investments Limited**

**Directors' report and financial  
statements**

Registered Number: 3768296

Year ended 31 December 2008

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

### Principal activities

The company is an intermediate holding company and as such undertakes activities and incurs costs relating to the management of its principal subsidiaries. The company's immediate trading subsidiary undertakings provide contract manufacturing and development services to drug development companies. The directors do not foresee any change of activities in the foreseeable future.

### Business review

During the year the company made a profit of £10,262,000 (2007: loss of £92,034,000). The principal causes of the profit was a dividend received from one of its subsidiary undertakings of £9,939,000 and exchange differences on foreign currency borrowings of £7,089,000 offset by an impairment to the fixed asset investments of £8,286,000. The directors do not recommend the payment of a final dividend (2007: £nil).

### Political and charitable contributions

The company made no political or charitable contributions during the year (2007: £nil).

### Directors

The directors who held office during the year were as follows:

Adrian Buckmaster  
Duncan McLellan

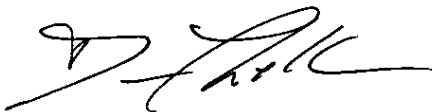
### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By order of the board



**D McLellan**  
Director

PO Box 42  
Hexagon Tower  
Blackley  
Manchester  
M9 8ZS

## **Statement of directors' responsibilities in respect of the Directors' report and the financial statements**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG Audit Plc

St James' Square  
Manchester  
M2 6DS  
United Kingdom

### **Independent auditors' report to the members of Avecia Investments Limited**

We have audited the financial statements of Avecia Investments Limited for the year ended 31 December 2008 which comprise the Profit and loss account, the Balance sheet, the Reconciliation of movements in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of Avecia Investments Limited**  
*(continued)*

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

*KPMG Audit Plc 27 August 2009*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

**Profit and loss account**  
*for the year ended 31 December 2008*

	<i>Note</i>	<b>2008</b> <b>£000</b>	2007 £000
Operating costs		<b>(9,095)</b>	(95,597)
<b>Operating loss</b>	<b>5</b>	<b>(9,095)</b>	(95,597)
Profit on disposal of business	7	-	24
Income from shares in group undertakings	10	9,939	-
Other interest receivable and similar income	8	9,669	3,592
Interest payable and similar charges	9	(251)	(53)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>10,262</b>	(92,034)
Tax on profit/(loss) on ordinary activities	11	-	-
<b>Profit/(loss) on ordinary activities after taxation and retained for the year</b>		<b>10,262</b>	(92,034)

All activities relate to continuing operations.

**Statement of total recognised gains and losses**  
*for the year ended 31 December 2008*

There were no gains or losses in the current or preceding year other than those shown in the profit and loss account above therefore no separate statement of total recognised gains and losses has been prepared.

**Balance sheet**  
*as at 31 December 2008*

	Note	2008 £000	2007 £000
<b>Fixed assets</b>			
Tangible assets	12	-	27
Investments	13	43,523	53,736
		<u>43,523</u>	<u>53,763</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	131,350	50
Debtors: amounts falling due after more than one year	14	-	112,763
		131,350	112,813
Cash at bank and in hand		3,432	350
		<u>134,782</u>	<u>113,163</u>
<b>Creditors: amounts falling due within one year</b>	15	(1,464)	(347)
		<u>133,318</u>	<u>112,816</u>
<b>Net current assets</b>			
		133,318	112,816
<b>Total assets less current liabilities</b>		<u>176,841</u>	<u>166,579</u>
<b>Net assets</b>		<u>176,841</u>	<u>166,579</u>
<b>Capital and reserves</b>			
Called up share capital	16	326,800	326,800
Other reserves	18	44,111	44,111
Profit and loss reserve	18	(194,070)	(204,332)
		<u>176,841</u>	<u>166,579</u>
<b>Shareholders' funds</b>		<u>176,841</u>	<u>166,579</u>

These financial statements were approved by the board of directors on 26 August 2009 and were signed on its behalf by:



**Duncan McLellan**  
Director



**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2008*

	2008 £000	2007 £000
Profit/(loss) for the financial year	10,262	(92,034)
Foreign exchange loss	-	(370)
	<hr/>	<hr/>
Net addition to/(reduction in) shareholders' funds	10,262	(92,404)
Opening shareholders' funds	166,579	258,983
	<hr/>	<hr/>
Closing shareholders' funds	176,841	166,579
	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts as its results are included in the consolidated financial statements of Avecia Holdings Limited. These financial statements present information about the company as an individual undertaking and not about its group. The consolidated financial statements of Avecia Holdings Limited can be obtained from Avecia Holdings Limited, PO Box 42, Hexagon Tower, Blackley, Manchester, M9 8ZS.

Under Financial Reporting Standard 1 (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by Avecia Holdings Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

### 2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

#### *Fixed asset investments*

Fixed asset investments are stated at cost less provision for any permanent impairment.

#### *Foreign currencies*

Profit and loss accounts in foreign currencies are translated into sterling at average rates for the relevant accounting periods. Assets and liabilities are translated at rates prevailing at the balance sheet date.

Exchange differences on foreign currency borrowings and deposits are included within net interest payable. Exchange differences on all other transactions are taken to operating profit.

#### *Classification of financial instruments issued by the Company*

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

## Notes (continued)

### 2 Accounting policies (continued)

#### *Classification of financial instruments issued by the Company (continued)*

- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

#### *Dividends*

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which they are declared and approved. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements. Interim dividends are recognised in the period in which they are paid.

#### *Taxation*

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

#### *Plant and equipment*

Plant and equipment is stated at cost less accumulated depreciation and impairment losses. Within plant and equipment, IT equipment is depreciated over 12 months. Asset acquisitions are funded from cash rather than from borrowings.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The cost of each item of property, plant and equipment is written off evenly over its estimated remaining useful life. Reviews are made periodically of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Depreciation is charged to the profit and loss account on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment.

### 3 Staff numbers and costs

Other than the named directors, the company has no employees (2007: nil).

## Notes (continued)

### 4 Auditor's remuneration

Audit services for the company totalled £3,310 (2007: £3,150). This amount was borne by the ultimate parent undertaking.

### 5 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting);

	2008 £000	2007 £000
Admin and other expenses	2,176	4,107
Provision for non-collection of amounts owed by group undertakings	(1,367)	56,064
Impairment of fixed asset investment	8,286	35,426
	<u>          </u>	<u>          </u>

### 6 Remuneration of directors

	2008 £000	2007 £000
Directors' emoluments	446	429
	<u>          </u>	<u>          </u>

The aggregate emoluments of the highest paid director were £234,000 for the year ended 31 December 2008 (2007: £234,000). No pension contributions were made on his behalf (2007: £nil).

At 31 December 2008 retirement benefits were accruing to the following number of directors under:

	2008 £000	2007 £000
Defined benefit schemes	1	1
	<u>          </u>	<u>          </u>

### 7 Profit on disposal of business

In 2007, the profit on disposal arose from the final settlement of various tax and pension issues relating to the sale of the NeoResins business and the disposal of the Pharmaceutical business.

	2008 £000	2007 £000
Profit on disposal	-	24
	<u>          </u>	<u>          </u>

## Notes (continued)

### 8 Interest receivable and similar income

	2008 £000	2007 £000
On bank deposits	278	-
Receivable on loans to group undertakings	2,302	3,592
Exchange differences on foreign currency loans	7,089	-
	<u>9,669</u>	<u>3,592</u>

### 9 Interest payable and similar charges

	2008 £000	2007 £000
Payable on loans from group undertakings	251	53
	<u>251</u>	<u>53</u>

### 10 Income from shares in group undertakings

During the year the company received a dividend of £9,939,000 from its subsidiary undertaking, Hexagon Tower Limited (2007: £nil).

### 11 Taxation

The company has no UK corporation tax credit due to tax losses being surrendered to other members of the Avecia UK group for which no payment is made.

	2008 £000	2007 £000
Profit/(loss) on ordinary activities before taxation	10,262	(92,034)
Current tax at 28.5% (2007: 30%)	2,925	(27,610)
Effects of:		
Losses carried forward to future periods	-	27,610
Group relief utilised	(2,925)	-
	<u>-</u>	<u>-</u>
Tax on profit/(loss) on ordinary activities	-	-

On 6 April 2008 there was a change in the tax rate from 30% to 28%. A blended rate of 28.5% has been used.

## Notes (continued)

### 12 Tangible fixed assets

	<b>Plant and machinery £000</b>
<i>Cost or valuation</i>	
At beginning of year	30
Additions	7
	<hr/>
<b>At end of year</b>	<b>37</b>
	<hr/>
<i>Depreciation</i>	
At beginning of year	3
Charge for year	34
	<hr/>
<b>At end of year</b>	<b>37</b>
	<hr/>
<i>Net book value</i>	
<b>At 31 December 2008</b>	<b>-</b>
	<hr/>
At 31 December 2007	27
	<hr/>

### 13 Fixed asset investments

	<b>Investment in group undertakings £000</b>
<i>Cost</i>	
At beginning of year	89,162
Disposal	(1,927)
	<hr/>
<b>At end of year</b>	<b>87,235</b>
	<hr/>
<i>Impairment</i>	
At beginning of year	35,426
Impairment	8,286
	<hr/>
<b>At end of year</b>	<b>43,712</b>
	<hr/>
<i>Net book value</i>	
<b>At 31 December 2008</b>	<b>43,523</b>
	<hr/>
At 31 December 2007	53,736
	<hr/>

The disposal in the year resulted from further group restructuring as a result of one of its subsidiary undertakings, Avecia Holdings LLC, being placed into dissolution during 2007.

## Notes (continued)

### 13 Fixed asset investments (continued)

The directly held companies in which the company's interest at the year end is more than 20% are as follows:

	Country of Incorporation	Principal activity	Class and Percentage of shares held
<i>Subsidiary undertakings</i>			
Avecia UK Holdings Limited	UK	Intermediate holding	Ordinary – 100
AV No. 2 Limited	UK	Dormant	Ordinary – 100
Hexagon Tower Limited	UK	Property holding	Ordinary – 100
Avecia Biotechnology Inc.	USA	Chemical manufacture	Ordinary – 100
Avecia Biologics Limited	UK	Chemical manufacture	Ordinary – 100
Avecia Holdings LLC	USA	Dormant	Ordinary – 100 Preference – 100

The principal indirectly owned subsidiary undertakings at the year end are:

	Country of incorporation	Principal Activity	Class and Percentage of shares held
<i>Subsidiary undertakings</i>			
Avecia Limited	UK	Dormant	Ordinary – 100
Avecia Biotech Properties Limited	UK	Dormant	Ordinary – 100
Avecia LLC	US	Dormant	Ordinary – 100

### 14 Debtors

	2008 £000	2007 £000
Amounts owed by group undertakings	131,316	112,763
Prepayments	13	50
Other debtors	21	-
	<hr/>	<hr/>
	131,350	112,813
	<hr/>	<hr/>

Included within debtors £nil (2007: £112,763,000) of amounts owed by group undertakings are due after more than one year.

### 15 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	174	221
Amounts owed to group undertakings	1,290	126
	<hr/>	<hr/>
	1,464	347
	<hr/>	<hr/>

## Notes (continued)

### 16 Called up share capital

	2008 £000	2007 £000
<b>Authorised</b>		
Equity: 400,000,000 ordinary shares of £1.00 each	400,000	400,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
Equity: 326,800,001 ordinary shares of £1.00 each	326,800	326,800
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### 17 Contingent liabilities

The company has acted as the principal vendor for a number of business divestments within the Avecia group of companies since 2002. As part of these divestments the company has agreed to provide certain warranties, covenants and undertakings to the purchasers. Many of these undertakings have now lapsed as the time period specified in the sale and purchase agreements has elapsed, while others are still in effect. There are no material claims outstanding under these agreements.

### 18 Reserves

	Other reserves £000	Profit and loss reserve £000
At beginning of year	44,111	(204,332)
Retained profit for the year	-	10,262
	<hr/>	<hr/>
<b>At end of year</b>	<b>44,111</b>	<b>(194,070)</b>
	<hr/>	<hr/>

### 19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Avecia Corporation Limited which is incorporated in the United Kingdom. The ultimate parent company is Avecia (Jersey) Limited, a company registered and incorporated in Jersey.

The largest and smallest group in which the results of the company are consolidated is that headed by Avecia Holdings Limited which is incorporated in the United Kingdom.