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Registered no: NI 41550

Almac Sciences Limited
Report and financial statements
for the year ended 30 September 2005



Almac Sciences Limited

Report and financial statements for the year ended 30 September 2005

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Almac Sciences Limited

Directors and advisers

Executive directors

Sir Allen McClay (Chairman)
AD Armstrong
S Barr
S Campbell
JW Irvine
R A Milliken

Secretary

C Hayburn

Registered office

Almac House
20 Seagoe Industrial Estate
Craigavon
BT63 5QD

Solicitors

L'Estrange and Brett
Arnott House
12-16 Bridge Street
Belfast
BT1 1LS

Bankers

Bank of Ireland
43 High Street
Portadown
BT62 1HY

Registered auditors

PricewaterhouseCoopers LLP
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Almac Sciences Limited

Directors' report for the year ended 30 September 2005

The directors present their report and the audited financial statements for the year ended 30 September 2005.

Principal activities

The principal activity of the company is the provision of custom chemical synthesis services.

Review of business and future developments

During the year the company underwent significant restructuring of its operations and service capabilities which impacted on the level of business for the year. The directors are confident that in the long term this restructuring will assist the future operations of the company.

The company continues to incur trading losses as it develops the market for its services. Against the background of the company's trading and funding position the directors have considered the appropriateness of the going concern basis of accounting. The directors consider the going concern basis of accounting to be appropriate on the basis of an undertaking given by the company's shareholder that he will make available funding as required to meet the company's cash requirements for the foreseeable future.

Results and dividends

The loss for the financial year is £4,737,826 (2004: £4,310,073). The directors do not recommend payment of a dividend.

Directors and their interests

The directors who served during the year are shown on page 1. The interests of the directors who held office at the end of the financial year in the shares of the company were as follows:

	Ordinary shares of £1 each	
	2005	2004
	Number	Number
Sir Allen McClay	49,999,999	46,999,999
A D Armstrong (nominee)	1	1

Political and charitable donations

No donations for political or charitable purposes were made during the year.

Post balance sheet event

Subsequent to the year end the company acquired the trade and assets of Alhow Laboratories Limited (now known as Almac Sciences Group Limited), a fellow group company.

Almac Sciences Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

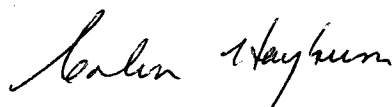
Share capital

Details of shares issued in the year are given in Note 16 to the financial statements.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board



C Hayburn
Secretary
Craigavon

12 April 2006

Almac Sciences Limited

Independent auditors' report to the members of Almac Sciences Limited

We have audited the financial statements, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Northern Ireland law and United Kingdom accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Article 243 of the Companies (Northern Ireland) Order 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 (Northern Ireland) Order 1986. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2005 and of its loss and cash flows for the year ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Belfast

Date: 6 June 2006.

Almac Sciences Limited

Profit and loss account for the year ended 30 September 2005

	Notes	2005 £	2004 (restated) £
Turnover	2	8,128,094	6,544,280
Cost of sales		8,022,140	6,942,594
Gross profit/(loss)		105,954	(398,314)
Net operating expenses (before depreciation)		2,891,262	2,327,747
Depreciation		1,801,720	1,526,469
Net operating expenses	3	4,692,982	3,854,216
Operating loss before depreciation ("EBITDA")		(2,785,308)	(2,726,061)
Depreciation		(1,801,720)	(1,526,469)
Operating loss	5	(4,587,028)	(4,252,530)
Interest receivable		66,271	62,170
Interest payable and similar charges	6	(217,069)	(119,713)
Loss on ordinary activities before taxation		(4,737,826)	(4,310,073)
Taxation	7	-	-
Loss for the year	17	(4,737,826)	(4,310,073)

All amounts above relate to continuing operations of the company.

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

Almac Sciences Limited

Statement of total recognised gains and losses for the year ended 30 September 2005

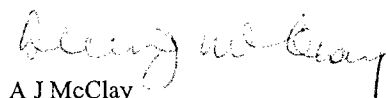
	2005 £	2004 (restated) £
Loss for the financial year	(4,737,826)	(4,310,073)
Total recognised gains and losses relating to the year	(4,737,826)	(4,310,073)
Prior year adjustment – (Note 17)	(80,432)	
Total gains and losses recognised since last annual report	(4,818,258)	

Almac Sciences Limited

Balance sheet at 30 September 2005

	Notes	2005 £	2004 (restated) £
Fixed assets			
Tangible assets	8	47,005,077	46,209,794
Investments	9	1	1
		47,005,078	46,209,795
Current assets			
Debtors	10	7,364,462	4,703,616
Cash at bank		1,346,051	5,210,976
		8,710,513	9,914,592
Creditors: amounts falling due within one year	11	(9,041,550)	(3,413,685)
Net current (liabilities)/assets		(331,037)	6,500,907
Total assets less current liabilities		46,674,041	52,710,702
Creditors: amounts falling due after more than one year	12	(3,547,310)	(7,104,379)
Deferred income - government grants	15	(5,617,497)	(6,359,263)
Net assets		37,509,234	39,247,060
Capital and reserves			
Called up share capital	16	50,769,445	47,769,445
Profit and loss account	17	(13,260,211)	(8,522,385)
Equity shareholders' funds	18	37,509,234	39,247,060

The financial statements on pages 5 to 16 were approved by the board on 12 April 2006 and were signed on its behalf by:



A J McClay



S Campbell

Directors

Almac Sciences Limited

Cash flow statement for the year ended 30 September 2005

	Notes	2005 £	2004 £
Net cash outflow from operating activities (see below)		(5,007,277)	(4,079,714)
Returns on investments and servicing of finance			
Interest received		66,271	62,170
Interest paid		-	(119,713)
		66,271	(57,543)
Capital expenditure and financial investment			
Purchase of fixed assets		(2,605,801)	(5,830,564)
Sales of fixed assets		7,701	-
Capital grants received		-	3,428,028
		(2,598,100)	(2,402,536)
Net cash outflow before financing		(7,539,106)	(6,539,793)
Financing			
Issue of ordinary share capital		3,000,000	28,040,280
Advance from related party		4,000,000	-
Other loans paid		(3,325,819)	(17,063,972)
		3,674,181	10,976,308
(Decrease)/increase in cash in the year	19-20	(3,864,925)	4,436,515

Reconciliation of operating loss to net cash outflow from operating activities

	2005 £	2004 £
Operating loss	(4,587,028)	(4,252,530)
Depreciation	1,801,720	1,526,469
Deferred grants release	(741,766)	(543,534)
Share compensation expense	-	42,894
Loss on disposal of fixed assets	1,097	-
Increase in debtors	(2,660,846)	(2,142,586)
Increase in creditors	1,179,546	1,289,573
Net cash outflow from operating activities	(5,007,277)	(4,079,714)

Almac Sciences Limited

Notes to the financial statements for the year ended 30 September 2005

1 Accounting policies

These financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with the Companies (Northern Ireland) Order 1986 and applicable accounting standards. The significant accounting policies adopted are set out below.

Consolidation

The financial statements contain information about Almac Sciences Limited as an individual company and do not contain consolidated financial information as the parent of a group as the company's only subsidiary is dormant.

Turnover

Turnover is the amount derived from the provision of services after deduction of value added tax. Revenue is recognised on completion of performance of service.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost together with any incidental expenses of acquisition. No depreciation is charged on land. For all other tangible assets depreciation is calculated so as to write off the cost less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The rates used are as follows:

		%
Buildings	-	2
Plant and machinery	-	10
Fixtures and fittings	-	10
Computers	-	20
Motor vehicles	-	25

Leased assets

Rentals under operating leases are charged to revenue as incurred.

Research and development

Expenditure is charged against profits in the year in which it is incurred.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profit and its results as stated in the financial statements. Deferred tax assets and liabilities recognised are not discounted.

Foreign currencies

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions: monetary assets and liabilities at the balance sheet date are translated at the year end rate of exchange. All exchange differences thus arising are reported as part of the results for the year.

Pension costs

Retirement benefits are provided for employees by a defined contribution pension scheme whereby the assets of the scheme are held separately from those of the company in an independently administered scheme. Contributions are charged against profits as they become due.

Almac Sciences Limited

1 Accounting policies (continued)

Revenue grants

Revenue grants relating to research and development expenditure are credited to the profit and loss account in the year in which the related expenditure is incurred.

Capital grants

Capital grants are treated as deferred income and then credited to revenue over the expected useful lives of the related assets.

Employee trust

The company's share of the assets of the employee Share Incentive Plan trust, have been incorporated within the company's balance sheet under the appropriate asset categories.

2 Analysis of turnover and results

Turnover and results are attributable to the company's principal activities carried out in the United Kingdom.

3 Net operating expenses

	2005	2004
	£	£
Distribution costs	1,035,731	758,018
Administrative expenses	3,657,251	3,096,198
	4,692,982	3,854,216

4 Employee information and directors' emoluments

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

	2005	2004
	Number	Number
Production	120	105
Administrative	46	33
	166	138

	£	£
Staff costs (for the above persons)		
Wages and salaries	7,082,321	5,362,670
Social security costs	621,535	432,804
Other pension costs	242,824	198,109
	7,946,680	5,993,583

Almac Sciences Limited

4 Employee information and directors' emoluments (continued)

Directors' emoluments	2005	2004
	£	£
Aggregate emoluments	1,129,612	658,635
Company pension contributions to money purchase schemes	85,485	93,194

Four (2004: four) of the directors participate in money purchase schemes.

Emoluments payable to the highest paid director are as follows:

	2005	2004
	£	£
Aggregate emoluments	284,786	216,476
Company pension contributions to money purchase schemes	30,975	15,300

5 Operating loss

	2005	2004
	£	£
Operating loss is stated after charging/(crediting):		
Staff costs (Note 4)	7,946,680	5,993,583
Share compensation expense	-	42,894
Depreciation	1,801,720	1,526,469
Loss on disposal of fixed assets	1,097	-
Deferred capital grants release	(741,766)	(543,534)
Revenue grants	-	(1,000)
Operating lease rentals	84,529	47,941
Auditors' remuneration – audit services	6,000	6,000

6 Interest payable and similar charges

	2005	2004
	£	£
On bank loans and overdraft	-	36,036
On loans from related parties	-	54,312
On other loans	217,069	29,365
	217,069	119,713

Almac Sciences Limited

7 Taxation

	2005 £	2004 £
Current tax:		
UK corporation tax at 30%	-	-
Total current tax	-	-
Deferred tax:		
Accelerated capital allowances and other timing differences	-	-
Total deferred tax	-	-
Tax on loss on ordinary activities	-	-

The current tax assessed for the year differs from that derived from the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2005 £	2004 £
Loss on ordinary activities before tax	(4,737,826)	(4,324,076)
Loss on ordinary activities multiplied by standard rate in the UK of 30%	(1,421,348)	(1,297,223)
Effects of:		
Expenses not deductible for tax purposes	120,548	95,962
Income not taxable	-	(127,922)
Non-taxable transfer from deferred grants release	(222,530)	(163,060)
Deferred tax asset not recognised	1,523,330	1,492,243
Current tax charge for the year	-	-

8 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
Cost						
At 1 October 2004	40,389,177	7,416,849	1,644,399	709,210	17,750	50,177,385
Additions	1,806,467	654,171	42,138	76,350	26,675	2,605,801
Disposals	-	(15,000)	-	-	(17,750)	(32,750)
At 30 September 2005	42,195,644	8,056,020	1,686,537	785,560	26,675	52,750,436
Depreciation						
At 1 October 2004	1,369,915	1,500,868	746,549	338,057	12,202	3,967,591
Charge for year	760,858	757,864	166,963	111,589	4,446	1,801,720
Disposals	-	(11,750)	-	-	(12,202)	(23,952)
At 30 September 2005	2,130,773	2,246,982	913,512	449,646	4,446	5,745,359
Net book value						
At 30 September 2005	40,064,871	5,809,038	773,025	335,914	22,229	47,005,077
At 30 September 2004	39,019,262	5,915,981	897,850	371,153	5,548	46,209,794

Almac Sciences Limited

9 Investments

	Interest in group undertaking £
Cost	
At 1 October 2004 and 30 September 2005	1
Amounts written off	
At 1 October 2004 and 30 September 2005	-
Net book value	
At 30 September 2005	1
At 30 September 2004	1

The company has one dormant subsidiary, Syngal Limited, which is incorporated in Northern Ireland and in which the company holds 100% of the ordinary share capital. At 30 September 2005 the aggregate capital and reserves of Syngal Limited were £2.

10 Debtors

	2005 £	2004 £
Trade debtors	2,056,371	3,159,910
Other debtors	4,839,855	1,525,420
Prepayments and accrued income	468,236	18,286
	7,364,462	4,703,616

11 Creditors: amounts falling due within one year

	2005 £	2004 £
Other loans (Note 13)	231,250	-
Trade creditors	734,308	1,583,386
Other tax and social security	168,663	143,267
Other creditors	5,095,684	474,662
Accruals and deferred income	2,811,645	1,212,370
	9,041,550	3,413,685

12 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Other loans (Note 13)	3,547,310	7,104,379

Almac Sciences Limited

13 Other loans

	2005 £	2004 £
Other loans are repayable as follows:		
Less than one year, or on demand	231,250	-
Between one and two years	462,500	231,250
Between two and five years	1,387,500	1,387,500
After five years	1,697,310	5,485,629
	3,778,560	7,104,379

£3.7m of the above loans are repayable by 32 quarterly installments commencing June 2006. Interest is charged at 5.68% per annum.

The remaining loan is interest free and repayable to Sir Allen McClay after more than one year.

14 Deferred taxation

	2005 £	2004 £
At 1 October 2004		-
Profit and loss account		-
At 30 September 2005		-
Deferred taxation asset not recognised comprises:		
Accelerated capital allowances and other timing differences	1,304,170	767,428
Losses	3,181,936	2,195,348
	4,486,106	2,962,776

No deferred tax asset has been recognised in relation to the above as in the opinion of the directors it may not be recoverable in the foreseeable future.

15 Deferred income - government grants

	£
At 1 October 2004	6,359,263
Released to profit and loss account	(741,766)
At 30 September 2005	5,617,497

16 Called up share capital

	2005 £	2004 £
Authorised		
75,000,000 (2004: 50,000,000) ordinary shares of £1 each	75,000,000	50,000,000
Allotted, called up and fully paid		
50,769,445 (2004: 47,769,445) ordinary shares of £1 each	50,769,445	47,769,445

3,000,000 ordinary shares, nominal value £1 each, were issued at par to Sir Allen McClay during the year.

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17 Profit and loss account

	£
At 1 October 2004 as previously reported	(8,441,953)
Prior year adjustment (see below)	(80,432)
At 1 October 2004 as restated	(8,522,385)
Loss for the year	(4,737,826)
At 30 September 2005	(13,260,211)

The prior year adjustment relates to the implementation of UITF 38 'Accounting for ESOP trusts'. The adoption of UITF 38 has resulted in a change in the presentation of shares in the employee share incentive plan trust as a deduction in arriving in shareholders' funds and has led to a decrease in shareholders' funds of £80,432. The loss for the year ended 30 September 2004 has been reduced by £14,003.

18 Reconciliation of movements in shareholders' funds

	2005 £	2004 (restated) £
Issue of ordinary shares	3,000,000	28,353,922
Loss for the year	(4,737,826)	(4,310,073)
Net movement during the year	(1,737,826)	24,043,849
Opening shareholders' funds as previously reported	39,327,492	15,203,211
Prior year adjustment (Note 17)	(80,432)	-
Opening shareholders' funds as restated	39,247,060	15,203,211
Closing shareholders' funds	37,509,234	39,247,060

19 Reconciliation of net cash flow to movements in net debt

	2005 £	2004 £
(Decrease)/increase in cash in the year	(3,864,925)	4,436,515
Cash flow from movement in debt	(674,181)	17,063,972
Change in net debt resulting from cash flows	(4,539,106)	21,500,487
Net debt at beginning of year	(1,893,403)	(23,393,890)
Net debt at end of year	(6,432,509)	(1,893,403)

20 Analysis of net debt

	At 1 October 2004 £	Cashflow £	At 30 September 2005 £
Cash at bank and in hand	5,210,976	(3,864,925)	1,346,051
Other loans	(7,104,379)	3,325,819	(3,778,560)
Advance from related party	-	(4,000,000)	(4,000,000)
Net debt	(1,893,403)	(4,539,106)	(6,432,509)

Almac Sciences Limited

21 Capital commitments

	2005	2004
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	733,000	1,000,000

22 Financial commitments

At 30 September 2005 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2005	2004
	Vehicles	Vehicles
	£	£
Within one year	10,716	10,358
Within two to five years	73,813	41,049
	84,529	51,407

23 Contingent liabilities

There exists a contingent liability to repay certain capital and revenue grants received from Invest Northern Ireland (formerly the Industrial Development Board) if future employment levels fall below specified levels. The directors do not anticipate any repayment falling due under the terms on which the grants were received.

24 Post balance sheet event

Details of post balance sheet events are given in the directors' report.

25 Ultimate controlling party

The ultimate controlling party is Sir Allen McClay, who is a director, and the balance due to Dr McClay at 30 September 2005 is shown at note 13. The amounts due at 30 September 2005 from related companies under common control, included in the balance sheet under debtors, amounted to £4,839,855 (2004: £1,383,767). The company's expenditure includes £Nil (2004:£1,430,272) in respect of management and administrative costs recharged by related companies, and the company's turnover and cost of sales includes £1,655,709 (2004: £970,578) rebilled to customers on behalf of a related company.