



Almac Diagnostics Limited (formerly ArraDx Limited)

Report and Financial Statements

30 September 2005



Registered No: NI 43067

Directors

R A Milliken
J W Irvine
Prof D P Harkin
Prof P G Johnston

Secretary

C Hayburn

Auditors

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

Bankers

Bank of Ireland
4-8 High Street
Belfast
BT1 2BA

Solicitors

Carson & McDowell
Murray House
Murray Street
Belfast
BT1 6DN

Registered office

Almac House
20 Seagoe Industrial Estate
Craigavon
BT63 5QD

Directors' report

Principal activities and review of the business

The principal activities of the company are the development of Cancer Diagnostics, concentrating initially upon colorectal cancer, and the development of a service business using microarray based data analysis for the academic, pharmaceutical and biotechnology markets.

The company has incurred losses of £2,610,390 during the current year which are in line with expectations. The company foresees further losses in the current year, however these are anticipated as a consequence of the research project programme. Funding commitments have been put in place particularly from the McClay Trust to support the company through its development phase.

The directors do not recommend payment of a dividend.

On 28 October 2005 the company changed its name from ArraDx Limited to Almac Diagnostics Limited.

Directors

The directors of the company are listed on page 1.

In accordance with the Articles of Association the directors are not required to retire by rotation.

Director's interests

The directors have the following interests in the share capital of the company:

	<i>At 30 September 2005 A ordinary shares of 10p each</i>	<i>At 30 September 2004 A ordinary shares of 10p each</i>
R A Milliken	-	-
J W Irvine	-	-
Prof D P Harkin	990	2,970
Prof P G Johnston	990	2,970

The directors have no interests in the B or C ordinary share capital of the company.

The interests of the directors in the parent company, ArraDx (2004) Limited, are disclosed in that company's accounts.

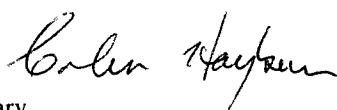
Charitable Contributions

During the year, the company made charitable contributions totalling £700.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board


Secretary
24 MARCH 2006

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 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; 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 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.

Independent auditors' report

to the members of Almac Diagnostics Limited (formerly ArraDx Limited)

We have audited the company's financial statements for the year ended 30 September 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. 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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company 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 United Kingdom 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 affairs of the company as at 30 September 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

Ernst & Young LLP

Registered Auditor
Belfast

24 March 2006

Profit and loss account

for the year ended 30 September 2005

	Notes	2005 £	2004 £
Turnover	2	247,975	17,360
Operating costs	3	(2,564,849)	(865,429)
Operating loss	3	(2,316,874)	(848,069)
Net interest payable	6	(293,516)	(15,676)
Loss before taxation		(2,610,390)	(863,745)
Taxation	7	-	-
Loss after taxation		(2,610,390)	(863,745)

Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £2,610,390 attributable to the shareholders for the year ended 30 September 2005 (2004 - £863,745).

Balance sheet

at 30 September 2005

	Notes	£	2005 £	£	2004 £
Fixed assets					
Tangible assets	8		4,749,101		4,936,973
Current assets					
Debtors	9		205,666		179,660
Cash at bank			70,409		308,161
			276,075		487,821
Creditors: amounts falling due within one year	10		(2,883,866)		(869,803)
Net current liabilities			(2,607,791)		(381,982)
Total assets less current liabilities			2,141,310		4,554,991
Creditors: amounts falling due after more than one year					
Loan	11(i)	830,464		773,833	
Obligations under finance leases	11(i)	-		1,350,000	
Deferred income	13	834,377		94,299	
			(1,664,841)		(2,218,132)
Total net assets employed			476,469		(2,336,859)
Financed by:					
Subordinated loans	11(ii)	3,650,000	3,650,000	2,900,000	2,900,000
Total creditors falling due after more than one year		5,314,841		5,118,132	
Capital and reserves					
Called up share capital	14		1,000		1,000
Share premium account	15		299,604		299,604
Profit and loss account	15		(3,474,135)		(863,745)
Equity shareholders' funds			(3,173,531)		(563,141)
Total financing			476,469		2,336,859

Director

Raimiinen
24 March 2006

Director

John W. Taylor

Notes to the financial statements

at 30 September 2005

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention.

Fundamental accounting concept

The company is dependent on continuing support from the McClay Trust and the Almac Group companies to enable it to continue operating and to meet its liabilities as they fall due.

The McClay Trust has agreed to continue to provide financial support to the company for these purposes and has agreed not to recall the amounts advanced to the company totalling £3,250,000 at 30 September 2005, before the agreed repayment dates per the loan agreement, with the first repayment not falling due until 30 November 2007. Almac Group companies have authorised funding to support the company in meeting its liabilities as they fall due and to allow for the growth of the company.

The directors have prepared projections for a period of at least 12 months from the date of signing the accounts and on the basis of these projections and the continued support as noted above, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result should continuing financial support cease to be made available.

Cash flow statements

The company has availed of the exemption for small companies under FRS1 'Cash flow statements' and hence has not prepared a cash flow statement.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Laboratory equipment	- 4 to 20 years
Computer equipment	- 4 years
Office equipment	- 5 years
Assets held under finance leases	- over the lease term
Leasehold improvements	- over the lease term

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 30 September 2005

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Research and development

Research and development expenditure is written off as incurred in accordance with SSAP13.

2. Turnover

Turnover is attributable to one continuing activity, micro array based data analysis, which comprises the invoice value of goods and services supplied by the company, exclusive of VAT.

All turnover is derived in the United Kingdom.

Notes to the financial statements

at 30 September 2005

3. Operating loss

(a) Net operating costs are made up of:

	2005 £	2004 £
Research and development expenses	1,307,813	648,534
Service and administrative expenses	1,339,593	381,379
Depreciation	545,597	206,349
Amortisation of grants	(127,167)	(51,035)
Revenue grants	(500,987)	(319,798)
	<u>2,564,849</u>	<u>865,429</u>

(b) Operating loss is stated after charging/(crediting):

	2005 £	2004 £
Auditors' remuneration - audit services	7,250	5,000
- non-audit services	51,810	20,955
Depreciation of owned fixed assets	470,597	131,349
Depreciation of assets held under finances lease and hire purchase contracts	75,000	75,000
Amortisation of capital grants	(127,167)	(51,035)
Revenue grants	(500,987)	(319,798)
Foreign exchange loss / (gain)	441	(2,096)
Operating lease charges – plant and machinery	5,028	-
- other	15,000	-
Research and development expenditure	<u>1,307,813</u>	<u>648,534</u>

Notes to the financial statements

at 30 September 2005

4. Staff costs

	2005 £	2004 £
Wages and salaries	810,314	429,672
Social security costs	74,223	40,736
Other pension costs	20,938	4,424
	<u>905,475</u>	<u>474,832</u>

The monthly average number of employees, excluding directors, during the year was as follows:

	2005 No.	2004 No.
Selling	3	1
Administration	3	1
Research and development	18	10
	<u>24</u>	<u>12</u>

5. Directors' emoluments

	2005 £	2004 £
Emoluments	<u>172,654</u>	<u>124,122</u>

6. Interest payable and similar charges

	2005 £	2004 £
Bank interest and other charges	831	1,093
Loan interest	294,130	19,997
Bank interest receivable	(1,445)	(5,414)
	<u>293,516</u>	<u>15,676</u>

Notes to the financial statements

at 30 September 2005

7. Tax on loss on ordinary activities

(a) The tax charge is made up as follows:

	2005 £	2004 £
<i>Current tax:</i>		
UK corporation tax	-	-
Total current tax (note 7(b))	-	-

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year varies from the standard rate of corporation tax in the UK of 30% (2004 - 30%). The differences are reconciled below:

	2005 £	2004 £
Loss on ordinary activities before taxation	(2,610,390)	(863,745)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%:	(783,117)	(259,124)
Effects of:		
Disallowed expenses and non-taxable income	4,033	9,000
Decelerated / (Accelerated) capital allowances	103,028	(96,571)
Short-term timing differences	85,485	5,999
Tax losses carried forward	650,559	340,696
Enhanced research and development expenditure	(59,988)	-
Total current tax (note 7(a))	-	-

(c) Deferred tax

The deferred taxation asset not recognised in the financial statements is as follows:

	2005 £	2004 £
Accelerated capital allowances	(653,472)	(96,571)
Short-term timing differences	91,663	5,999
Tax losses available	1,670,736	340,696
	1,108,927	250,124

Notes to the financial statements

at 30 September 2005

8. Tangible fixed assets

	<i>Leasehold improvements</i> £	<i>Laboratory equipment</i> £	<i>Computer equipment</i> £	<i>Office equipment</i> £	<i>Total</i> £
Cost:					
At 30 September 2004	2,798,352	2,284,370	57,933	2,667	5,143,322
Additions	794,083	816,370	72,146	25,126	1,707,725
Disposals	-	(1,500,000)	-	-	(1,500,000)
At 30 September 2005	<u>3,592,435</u>	<u>1,600,740</u>	<u>130,079</u>	<u>27,793</u>	<u>5,351,047</u>
Depreciation:					
At 30 September 2004	-	196,044	10,080	225	206,349
Charge for year	193,694	331,885	16,033	3,985	545,597
Disposals	-	(150,000)	-	-	(150,000)
At 30 September 2005	<u>193,694</u>	<u>377,929</u>	<u>26,113</u>	<u>4,210</u>	<u>601,946</u>
Net book value:					
At 30 September 2005	<u>3,398,741</u>	<u>1,222,811</u>	<u>103,966</u>	<u>23,583</u>	<u>4,749,101</u>
At 30 September 2004	<u>2,798,352</u>	<u>2,088,326</u>	<u>47,853</u>	<u>2,442</u>	<u>4,936,973</u>

The cost of assets in the course of construction included above amount to:

	<i>2005</i> £	<i>2004</i> £
Leasehold improvements	<u>557,385</u>	<u>2,798,352</u>

The net book value of laboratory equipment above includes an amount of £nil (2004 - £1,425,000) in respect of assets held under finance leases.

Notes to the financial statements

at 30 September 2005

9. Debtors

	2005 £	2004 £
Trade debtors	132,744	-
Other debtors	65,992	173,787
Prepayments and accrued income	6,930	5,873
	<u>205,666</u>	<u>179,660</u>

10. Creditors: amounts falling due within one year

	2005 £	2004 £
Loans (note 11)	44,000	10,000
Obligations under finance leases (note 12)	-	75,000
Trade creditors	880,938	190,616
Other taxation and social security	45,555	18,374
Other creditors	1,318,972	92,479
Accruals	462,597	432,299
Deferred income (note 13)	131,804	51,035
	<u>2,883,866</u>	<u>869,803</u>

11. Creditors: amounts falling due after more than one year

(i)	2005 £	2004 £
Loans	830,464	773,833
Obligations under finance leases (note 12)	-	1,350,000
Deferred income (note 13)	834,377	94,299
	<u>1,664,841</u>	<u>2,218,132</u>
Analysis of loan repayment:		
- within one year	44,000	10,000
- between one and two years	48,000	707,833
- between two and five years	782,464	66,000
	<u>874,464</u>	<u>783,833</u>

The loans are secured by a fixed charge over the plant and equipment of the company.

(ii) Subordinated Loans

	2005 £	2004 £
Loan from immediate parent undertaking	400,000	-
McClay Trust loan	3,250,000	2,900,000
	<u>3,650,000</u>	<u>2,900,000</u>

Notes to the financial statements

at 30 September 2005

11. Creditors: amounts falling due after more than one year (continued)

	2005 £	2004 £
Subordinated loans repayable:		
- between two and five years	1,750,000	1,750,000
- in more than five years	1,900,000	1,150,000
	<u>3,650,000</u>	<u>2,900,000</u>

Interest on the McClay Trust loan is charged at base rate plus 2.5 per cent, however no interest or capital repayments are scheduled until 30 November 2007.

No interest is charged on the loan from the immediate parent undertaking, ArraDx (2004) Limited. It has been agreed by ArraDx (2004) Limited that this amount will not be repaid until all other debts of the company are extinguished.

12. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	2005 £	2004 £
Amounts payable:		
Within one year	-	75,000
In two to five years	-	300,000
In more than five years	-	1,050,000
	<u>-</u>	<u>1,425,000</u>

Amounts payable:

Finance leases and hire purchase contracts are analysed as follows:

Current obligations (note 10)	-	75,000
Non-current obligations (note 11)	-	1,350,000
	<u>-</u>	<u>1,425,000</u>

13. Deferred income

	Deferred grants £
Balance as at 30 September 2004	145,334
Received during the year	948,014
Amortised during the year	(127,167)
Balance as at 30 September 2005	<u>966,181</u>

Amounts to be amortised:

	2005 £	2004 £
Within one year	131,804	51,035
In more than one year	834,377	94,299
	<u>966,181</u>	<u>145,334</u>

at 30 September 2005

	2005 £	Authorised 2004 £
1,980 Class A ordinary shares of £0.10 each (2004 – 5,940)	198	594
7,920 Class B ordinary shares of £0.10 each (2004 -3,960)	792	396
100 Class C ordinary shares of £0.10 each (2004 -100)	10	10
	<hr/> 1,000	<hr/> 1,000

	<i>Allotted, called up and fully paid</i>			
	<i>2005</i>		<i>2004</i>	
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Class A ordinary shares of £0.10 each	-	-	-	-
Class B ordinary shares of £0.10 each	3,960	396	3,960	396
Class C ordinary shares of £0.10 each	-	-	-	-
		<u>396</u>		<u>396</u>

		<i>Allotted, called up and unpaid</i>	
		<i>2005</i>	<i>2004</i>
	<i>No.</i>	<i>£</i>	<i>No.</i>
		<i>£</i>	<i>£</i>
Class A ordinary shares of £0.10 each	1,980	198	5,940
Class B ordinary shares of £0.10 each	3,960	396	-
Class C ordinary shares of £0.10 each	100	10	100
		<hr/>	<hr/>
		604	604

15. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Share premium account	Profit and loss account	Total shareholders' funds
	£	£	£	£
At 30 September 2004	1,000	299,604	(863,745)	(563,141)
Loss for the year	-	-	(2,610,390)	(2,610,390)
At 30 September 2005	<u>1,000</u>	<u>299,604</u>	<u>(3,474,135)</u>	<u>(3,173,531)</u>

Pension Commitments
The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

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Notes to the financial statements

at 30 September 2005

17. Other Financial Commitments

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

	2005	Land and Buildings 2004	2005	Other 2004
	£.	£	£.	£
Operating leases which expire:				
Within one year	-	-	-	-
In two to five years	-	-	10,211	-
In over five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>10,211</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>10,211</u>	<u>-</u>

In addition, the company has entered into a land and buildings lease expiring in more than 5 years, for which the annual rent of £50,000 is not incurred until year ending 30 September 2008. The lessor, PDMS Limited shares common directors with the company.

18. Related party transaction

R A Milliken and J W Irvine (directors of the company) are also directors in the following companies that Almac Diagnostics Limited (formerly ArraDx Limited) has transacted with during the year.

Almac Sciences Group Limited
CSS Limited
Clinical Trial Services Limited
Galen Limited

Queens University of Belfast is a related party by virtue of Prof D P Harkin being a member.

Transactions entered into during the year with the above related parties, and balances outstanding at each period end are as follows:

	2005	2004
	£	£
Sales to related parties	51,592	17,360
Purchases from related parties	25,000	25,000
Amounts owed by related parties	-	-
Amounts owed to related parties	1,303,972	92,478

Amounts owed to related parties are repayable on demand. In addition the company received a loan during the year of £400,000 from it's immediate holding company ArraDx (2004) Limited (note 11).

R A Milliken and J W Irvine are trustees of The McClay Trust. At 30 September 2005 a balance of £3,250,000 exists in relation to a loan provided by the McClay Trust to the company.

Notes to the financial statements

at 30 September 2005

19. Contingent liabilities

The company has received grant aid from Invest Northern Ireland and should certain conditions not be met this may become repayable.

20. Other financial commitments

Capital commitments contracted for but not provided in the financial statements amounted to £1,321,500 (2004 - £494,088).

Other purchases contracted for but not provided in the financial statements amounted to £nil (2004 - £nil).

21. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party of the company at 30 September 2005 was ArraDx (2004) Limited, a company incorporated in Northern Ireland. The registered office of ArraDx (2004) Limited is Almac House, 20 Seagoe Industrial Estate, Craigavon, BT 63 5QD.

Post 30 September 2005, the ultimate parent undertaking and controlling party of the company is Almac Sciences Group Limited, a company incorporated in Northern Ireland. The registered office of Almac Sciences Group Limited is Almac House, 20 Seagoe Industrial Estate, Craigavon, BT 63 5QD.