

Company Registration No: SC154034

CSS-ALBACHEM LIMITED

**REPORT AND FINANCIAL
STATEMENTS**

For the year ended 30 September 2005



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CSS-ALBACHEM LIMITED

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CSS-ALBACHEM LIMITED

COMPANY INFORMATION

DIRECTORS

Dr. A J McClay
R A Milliken
R Ramage
J A Vida
Dr. R M Cresswell
A P Armstrong
Dr. S Barr
S Campbell
J Irvine

SECRETARY

C Hayburn (Appointed 1 June 2005)

REGISTERED OFFICE

4th Floor, Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

INDEPENDENT AUDITORS

Deloitte & Touche LLP
19 Bedford Street
Belfast
BT2 7EJ

BANKERS

Bank of Ireland
43 High Street
Portadown
BT62 1HY

CSS-ALBACHEM LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the company in the year was scientific research.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Directors consider the results for the year and the position of the company at year end to be satisfactory. The company will continue to seek every opportunity to increase profitable turnover.

RESULTS AND DIVIDENDS

The results of the company for the period are set out on page 5. The directors do not recommend the payment of a dividend this period (2004 – £ Nil). There was a loss after tax of £228,132 (2004 – unaudited £661,306) leaving retained losses carried forward of £1,644,517 (2004 – unaudited £1,416,385).

DIRECTORS

The directors holding office during the year and to the date of this report were:

Dr A McClay
R A Milliken
R Ramage
J A Vida
Dr. R M Cresswell
A P Armstrong
Dr. S Barr
S Campbell
J Irvine

The directors who served at the year end and who had an interest in the shares of the company were as follows:

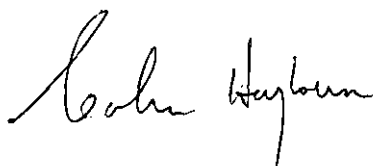
	Ordinary Shares	
	30 September 2005	30 September 2004
Dr. A J McClay	10,691,020	10,691,020

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted to the members at the Annual General Meeting.

This report was approved by the board on the 03 February 2006 and signed on its behalf by:

C Hayburn
Secretary



CSS-ALBACHEM LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

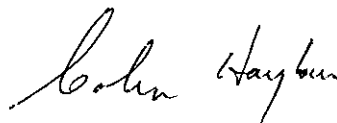
United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements,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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 Special Provisions of Part VII of the Companies Act 1985, relating to Small Companies. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the board on the 03 February 2006 and signed by order of the board:

4th Floor, Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN


C Hayburn
Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CSS-ALBACHEM LIMITED

We have audited the financial statements of CSS-Albачem Limited for the year ended 30 September 2005 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 14. 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 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 United Kingdom legal and regulatory requirements and 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 Act 1985. We also report 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 the affairs of the company as at 30 September 2005 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte - Touche LLP
DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Belfast

19 July 2006

CSS-ALBACHEM LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 30 September 2005**

	Note	12 months to 30 September 2005 £	14 months to 30 September 2004 UNAUDITED £
TURNOVER		587,108	232,939
Cost of Sales		(570,381)	(414,032)
GROSS PROFIT / (LOSS)		16,727	(181,093)
Administrative expenses		(293,117)	(481,411)
OPERATING LOSS		(276,390)	(662,504)
Interest receivable and similar income		1,095	1,198
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(275,295)	(661,306)
Tax on loss on ordinary activities	5	47,163	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	11	(228,132)	(661,306)
Retained losses at the start of the period		(1,416,385)	(755,079)
RETAINED LOSSES AT THE END OF THE PERIOD		(1,644,517)	(1,416,385)

All activities derive from continuing operations.

There are no recognised gains or losses for the current financial year and the preceding financial period other than as stated in the Profit and Loss Account. Accordingly no statement of total recognised gains and losses is presented.

Notes 1 to 14 form part of these financial statements.

CSS-ALBACHEM LIMITED

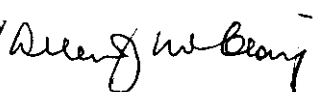
BALANCE SHEET

As at 30 September 2005

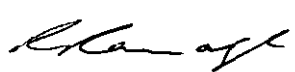
	Note	30 September 2005 £	30 September 2004 UNAUDITED £
FIXED ASSETS			
Tangible fixed assets	6	299,101	189,592
CURRENT ASSETS			
Debtors	7	242,178	138,170
Cash at bank and in hand		114,431	160,133
		356,609	298,303
CREDITORS - amounts falling due within one year	8	(676,004)	(350,636)
NET CURRENT LIABILITIES		(319,395)	(52,333)
TOTAL ASSETS LESS CURRENT LIABILITIES		(20,294)	137,259
CREDITORS - amounts falling due after more than one year	9	(179,329)	(108,750)
NET (LIABILITIES) / ASSETS		(199,623)	28,509
EQUITY CAPITAL AND RESERVES			
Called up equity share capital	10	536,025	536,025
Share premium account		908,869	908,869
Profit and loss account		(1,644,517)	(1,416,385)
TOTAL EQUITY SHAREHOLDERS' (DEFICIT) / FUNDS	11	(199,623)	28,509

The financial statements were approved by the Board on the 03 February 2006 and signed on its behalf by:

Dr. A J McClay
Director



R Ramage
Director



Notes 1 to 14 form part of these financial statements

CSS-ALBACHEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Convention

These financial statements have been prepared in accordance with the historical cost convention, and in accordance with Financial Reporting Standard for smaller entities (effective June 2002).

Turnover

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

Comparatives

The comparatives for the previous year were unaudited. In the prior year the company was entitled to the exemption provided by Section 249 (A) (1) of the Companies Act 1985 and members have not required the Company to obtain an audit of its accounts for the prior period in accordance with 249B (2) of the Act.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only 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 taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Tangible fixed assets and depreciation

The cost of assets comprises purchase price and any directly attributable installation charges.

Depreciation is calculated to write off their cost, less estimated residual value, over their useful lives. The methods adopted and rates used are:

Long term leasehold buildings	10% straight line
Plant and equipment	10% straight line
Fixtures and fittings	20% straight line

CSS-ALBACHEM LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONT'D)

Leased assets

Fixed assets acquired under finance leases and hire purchase contracts are capitalised at their fair value and depreciated on the same basis as other fixed assets or the lease term if shorter. Finance charges included in the rentals are allocated over the term of each lease so as to produce a constant rate of charge on the remaining balance of the obligation in each accounting period. Costs in respect of operating leases are charged on a straight line basis over the lease term

Pensions

Retirement benefits to employees in the company are provided by a defined contribution pension scheme, whereby the assets of the scheme are held separately from those of the company in an independently administered fund. The company contributions are accounted for by charging costs against profits as payments accrue.

Capital grants

Grants received in respect of tangible fixed assets are treated as deferred income and are released to the profit and loss account over the expected useful economic lives of the related assets.

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	12 months to 30 September 2005	14 months to 30 September 2004 UNAUDITED
	£	£
Loss on ordinary activities is stated after charging:		
Operating lease rentals	72,705	46,625
Depreciation of owned assets	33,905	151,713
Capital grant release	(4,747)	-
Pension costs	19,791	15,783
	<u> </u>	<u> </u>

3. DIRECTORS

	12 months to 30 September 2005	14 months to 30 September 2004 UNAUDITED
	£	£
(i) Director's Emoluments	66,950	74,031
Pension scheme contributions	-	-
	<u>66,950</u>	<u>74,031</u>

(ii) Transactions involving directors and related parties

During the prior period funds of £235,000 were introduced to the company by a company director, Dr A J McClay. This is an interest free loan and the full amount remains outstanding at the year ended 30 September 2005.

CSS-ALBACHEM LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3. DIRECTORS (continued)

- (iii) In the current year a loan from Scottish Enterprise totalling £174,555 was repaid in full, on behalf of the company, by the McClay Trust. Interest on this loan was charged at 8%. There are no other transactions involving directors other than those noted above which require disclosure. This loan is secured by a floating charge on all property and assets present and future of the company including uncalled capital. Related party disclosures are included in note 12.

4. EMPLOYEES

The average number employed by the company (including directors) within each category of persons was:

	No of Employees	
	12 months to 30 September 2005	14 months to 30 September 2004 UNAUDITED
Administrative staff	2	2
Other staff	9	6
	<u>11</u>	<u>8</u>

The costs incurred in respect of these employees were:

	12 months to 30 September 2005	14 months to 30 September 2004 UNAUDITED
	£	£
Wages and salaries	376,761	335,390
Social security costs	47,631	43,403
Other pension costs	18,728	15,783
	<u>443,120</u>	<u>394,576</u>

CSS-ALBACHEM LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of charge/(credit) in year	12 months to 30 September 2005	14 months to 30 September 2004
	£	UNAUDITED £
Current tax:		
UK corporation tax on profit of the current year	-	-
Adjustments in respect of previous periods	(47,163)	-
Total current tax (credit) / charge	(47,163)	-
(b) Factors affecting tax (credit) / charge for the year		
Loss on ordinary activities before tax	(275,295)	(661,306)
Loss on ordinary activities multiplied by standard companies rate of corporation tax in the UK of 19%	(52,306)	(125,648)
Effects of:		
Expenses not deductible for tax purposes	689	4,685
Depreciation in excess of Capital Allowances	4,947	28,624
Uplift for R&D Expenses	-	(6,489)
Increase in Tax losses brought forward	35,438	98,828
Other deferred tax movements	11,232	-
Prior Period Adjustment	(47,163)	-
Current year tax (credit) / charge	(47,163)	-
(c) Deferred Tax		
	30 September 2005	30 September 2004
	£	UNAUDITED £
Unrecognised deferred tax asset is made up as follows:		
Accelerated capital allowances	25,677	30,624
Trading losses carried forward	(299,677)	(296,826)
Bonus Provision	(11,232)	-
	(285,232)	(266,202)
Unrecognised deferred tax asset at start of period	(266,202)	(138,750)
Movement	(19,030)	(127,452)
Unrecognised deferred tax asset at end of period	(285,232)	(266,202)

CSS-ALBACHEM LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6. TANGIBLE FIXED ASSETS

	Land and Buildings £	Plant and Machinery £	Fixtures, Fittings and Equipment £	Total £
Cost				
At start of year	207,961	305,058	34,615	547,634
Additions	-	142,226	1,188	143,414
At end of year	<u>207,961</u>	<u>447,284</u>	<u>35,803</u>	<u>691,048</u>
Depreciation				
At start of year	53,723	274,739	29,580	358,042
Provision for year	20,796	11,898	1,211	33,905
At end of year	<u>74,519</u>	<u>286,637</u>	<u>30,791</u>	<u>391,947</u>
Net Book Value 30 September 2005	<u>133,442</u>	<u>160,647</u>	<u>5,012</u>	<u>299,101</u>
Net Book Value 30 September 2004 unaudited.	<u>154,238</u>	<u>30,319</u>	<u>5,035</u>	<u>189,592</u>

7. DEBTORS

	30 September 2005 £	30 September 2004 UNAUDITED £
Trade debtors	154,277	62,427
Amount owed by related party undertaking (note 12)	-	38,314
Other debtors	-	37,429
Prepayments and accrued income	5,828	-
Rent Prepayment	34,910	-
Corporation tax debtor (note 5)	47,163	-
	<u>242,178</u>	<u>138,170</u>

8. CREDITORS amounts falling due within one year

	30 September 2005 £	30 September 2004 UNAUDITED £
Trade creditors	265,552	4,842
Other taxes and social security	29,219	24,833
Other creditors	9,029	7,305
Amount owed to directors(see note 3)	235,000	235,000
Other Loan	47,779	41,250
Accruals and deferred income	89,425	37,406
	<u>676,004</u>	<u>350,636</u>

Included within accruals and deferred income is a capital grant reserve of £76,645, of which £8,139 is due to be released within one year and the remaining £68,506 released after one year.

CSS-ALBACHEM LIMITED
NOTES TO THE FINANCIAL STATEMENTS

9 CREDITORS - amounts falling due after more than one year

	30 September 2005	30 September 2004 UNAUDITED
	£	£
Other Creditors	58,775	-
Other loans	120,554	108,750
	<u>179,329</u>	<u>108,750</u>

Analysis of Loans Repayments

	30 September 2005	30 September 2004 UNAUDITED
	£	£
Analysis of loan repayment		
Bank loans:		
- within one year	47,780	41,250
- between one and two years	32,323	75,000
- between two and five years	88,230	33,750
	<u>168,333</u>	<u>150,000</u>

The above amounts are all repayable on an instalment basis. The loan is secured by way of a floating charge over the assets of the company. Interest is charged at a rate of 8%.

10. EQUITY SHARE CAPITAL

	30 September 2005	30 September 2004 UNAUDITED
	£	£
Authorised		
10,720,500 ordinary shares of 5p each	<u>536,025</u>	<u>536,025</u>
Called up, allotted and fully paid		
10,720,500 ordinary shares of 5p each	<u>536,025</u>	<u>536,025</u>

CSS-ALBACHEM LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11. RECONCILIATION OF CHANGES IN SHAREHOLDER'S FUNDS

	2005	2004
	£	UNAUDITED £
Loss attributable to members of the company	(228,132)	(661,306)
Dividends proposed or paid	-	-
Net (increase)/decrease in shareholders' (deficit) / funds	(228,132)	(661,306)
Opening shareholders' funds	28,509	155,222
Share Issue	-	534,593
Closing shareholders' (deficit) / funds	(199,623)	28,509

12 RELATED PARTY TRANSACTIONS

The ultimate controlling party is Dr Allen McClay, a director of the company. Dr A Mc Clay is also the majority shareholder in the following companies: Almac Sciences Limited, Clinical Trial Services Limited, Galen Limited, Chemical Synthesis Services Limited and Pharmaceutical Development and Manufacturing Services Limited.

Transactions entered into during the year with the above related parties, and balances outstanding at 30 September are as follows:

	2005
	£
Sales to related parties:	-
Purchases from related parties:	-
Amounts owed by related parties:	193,525
Amounts owed to related parties:	-

13 PENSIONS

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are insured through individual personal pensions administered in funds totally independent from those of the company.

Employer contributions to the defined contribution of £19,791 were paid during the year and were paid up to date at the year end.

14. FINANCIAL COMMITMENTS

At 30 September 2005 the company was committed to making the following payments during the next year in respect of operating leases:

	30 September 2005	30 September 2004
	£	UNAUDITED £
Leases which expire:		
Within one year	-	-
Within two to five years	93,252	163,191
	93,252	163,191

CSS-ALBACHEM LIMITED
ADDITIONAL INFORMATION

The additional information, which comprises of the trading profit and loss account and the related notes, has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them.

CSS-ALBACHEM LIMITED

Detailed Trading Profit and Loss Account for the year ended 30 September 2005

	12 months 30 Sept 2005 £	14 months 30 Sept 2004 £
Turnover		
Home product production	580,458	218,069
Export product production – EU	6,650	14,870
	<u>587,108</u>	<u>232,939</u>
Cost of sales		
Materials	148,089	103,599
Wages and salaries	372,391	290,700
Plant and tools	49,901	19,733
	<u>570,381</u>	<u>414,032</u>
Administrative expenses		
Staff salaries	31,549	103,876
Management Bonus	9,000	-
Phantom Shares	30,180	-
Rent – operating leases	72,705	46,625
Insurances	2,868	28,449
Light and heat	12,806	11,468
Repairs and maintenance	-	2,222
Postage	4,788	2,685
Printing and stationery	2,932	2,841
Advertising and promotion	-	180
Telephone and fax	1,412	1,270
Hotels, travel and subsistence	18,364	4,440
Consultancy	1,500	23,443
Computer costs	579	1,449
Books and periodicals	2,118	2,263
Conference expenses	-	910
Legal and professional	39,945	51,863
Accountancy fees	-	5,850
Bad debt Provision	-	25,540
Sundry expenses	8,110	10,647
Depreciation	33,905	151,713
Capital Grant release	(4,747)	-
Equipment Hire and Rental Maintenance	6,106	-
Training Costs	196	-
Recruitment Expenses	8,412	-
Protective Clothing	298	-
Subcontractors	455	-
Bank charges	9,630	3,677
Exchange Profit and Loss	6	-
	<u>293,117</u>	<u>481,411</u>
Interest receivable		
Bank interest receivable	<u>1,095</u>	<u>1,198</u>