

## **Angel Biotechnology Holdings plc ("Angel" or the "Company")**

### **Interims results for the six month period ended 30 June 2007**

Angel Biotechnology Holdings plc, (AIM: ABH) the Biopharmaceutical contract manufacturer, is pleased to announce its financial results for the six month period ended 30 June 2007.

Business Highlights during period 1 January to 30 June 2007:

- Increase in revenues of 37% compared with same period in 2006
- 4 new and extended contracts were announced
- Successful delivery in new technologies such as Stem Cells and Autologous and Allogeneic Cell Therapies and Bacteriophage.
- Cramlington facility closed and manufacturing concentrated at Angel's Pentlands facility

Gordon Sherriff, COO of Angel Biotechnology Holdings plc, said: "Angel has enjoyed a productive and successful first half to 2007. Of particular importance is the growth in revenues over the comparative period in 2006 and high quality delivery of projects to clients, reflected in repeat contracts. With the rationalisation steps substantially complete, we are well placed to focus on further development of the success of our Pentlands base. The Company expects to announce new collaborations and the successful completion of ongoing projects during the remainder of 2007".

For further information, please call:

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## **CHAIRMAN'S STATEMENT**

Angel Biotechnology Holdings plc offers process development and manufacturing services to pre-GMP and GMP standards. Angel's customer base is biotechnology and pharmaceutical companies worldwide. Angel's principal activity is the manufacture and supply of bio-materials for use in clinical trials through all phases of the drug development process and for product launch. The Company has shown in this period that it has the ability to deliver the technically challenging services and products our customers require, on time, within budget and that such services and products generate a financial contribution to the group.

Angel has the facilities required to deliver its vision of providing clients with customised services to support their development requirements. These range from the optimisation of process through supply of material for pre-clinical and clinical research to production of launch quantities, all under one roof. We believe that this remains a unique offering at this scale within the contract manufacturing industry.

Sales in H1 2007 of £1,036,000 increased by £281,000, a 37% increase, over the same period in 2006. This yielded a H1 2007 pre-tax loss of £921,000 compared with a loss of £826,000 in the corresponding period in 2006.

During H1 2007, the Pentlands site operated at capacity and contributed the majority of the revenues to the group.

Without a major contract, the cost burden associated with the Cramlington facility was too large for the Group to support and led to a decision to close the Cramlington facility and concentrate production in the Pentlands cGMP facility where there is a pipeline of business. This is discussed further below.

### **Business Development**

The Pentlands facility has established a sound client base and an enviable reputation for delivering biologics products and services. The Board took the view that the Company's future lay in developing the Pentlands facility and focusing on the profitable mammalian cell work for which we have built an experienced team and a considerable reputation. The operating costs of this type of GMP facility are substantially lower than those for a fermenter-based GMP facility like that at Cramlington providing a formula for an early move into profitability.

Angel signed a significant GMP contract with a US based company that has continued into 2007 with additional revenue earnings achieved. Angel is manufacturing and supplying GMP materials for use in an autologous cell therapy in UK-based Phase II clinical trial. The cells will be used in a novel area of transplant medicine. The nature of the work is highly specialist and draws on Angel's core expertise in finding GMP solutions for challenging projects. We expect this to develop into a long term relationship.

Angel has also achieved an ongoing relationship with ReNeuron, for a sequence of contracts manufacturing stem cell lines to GMP from their advanced technology platform. This has involved work to improve the manufacturing process and cell banking activities for two of their leading neural programmes.

We have also developed expertise in producing materials for cell based treatments for a number of forms of cancer.

The work to scale-up and validate the manufacturing processes for Phico Therapeutics novel anti-infective product, designed to eliminate nasal carriage of *Staphylococcus aureus*,

including MRSA, has progressed well. This programme of works may lead to the GMP manufacture of Phico's first product and places us in a leading position in this increasingly important sector.

Since its inception, Angel has been successful in obtaining regulatory approvals (MHRA and HTA) required to establish and grow its business. Angel expects to continue to maintain its current licences and obtain further licences as required to support closely related business development.

The manufacturing programs undertaken by Angel are, typically, technically demanding, require extended periods of negotiation prior to start and are consequently subject to delays and cancellations. Our highly skilled staff continue to strive to manage these issues to the maximum financial advantage of our Group.

### **Activities Funded by Grant Awards**

Angel is the manufacturing partner in a consortium awarded a grant of £2.1M from the UK Department of Trade and Industry (DTI) for stem cell development therapy. Under this program we have established the capability to manufacture stem cell banks to GMP standards for clinical trials and for their application as therapeutic products. The programme is led by ReNeuron Ltd, the other consortium members include RegenTec Ltd, The Institute of Psychiatry and Kings College London. The therapeutic focus is to address neurodegenerative diseases such as stroke, Huntington's disease and Parkinson's disease. The programme at Angel has made good progress and we believe that we may, for the first time, be seeing the potential for a break-through in larger scale manufacture of these demanding cells.

Angel is also a participant in the Osteocord 7 programme, a European project involving a number of companies and academic groups working on cord blood as a source of stem cells for use in organ regeneration.

### **Rationalisation of Operations**

The board has taken the decision that the Group's future lies in developing the Pentlands facility with its broad contract capability and lower cost of operation. In order to facilitate the sale of the Cramlington facility, the Company's subsidiary, Angel Biotechnology Limited has been placed in administration, and all activities are being conducted through Angel Biotechnology Holdings plc.

### **Outlook**

The Pentlands facility is operating close to capacity with a steady flow of mammalian cell based and other biologics programmes, many of which are part of long term development programmes supporting clinical trials and beyond. Our task is to enhance the Pentlands facility in order to allow the Group to build a profitable pipeline of business for that facility.

Dr Paul Harper  
Chairman, Angel Biotechnology.

**Angel Biotechnology Holdings plc****Unaudited Group Income Statement for the half year ended 30 June 2007**

	Unaudited Half year to 30-Jun-07 £'000	Unaudited Half year to 30-Jun-06 £'000	Audited Year ended 31-Dec-06 £'000
Revenue	1,036	755	1,873
Cost of sales	-857	-911	-2,014
Gross profit (loss)	180	-156	-142
Net operating expenses	-1,140	-653	-2,201
Other operating income	63		348
Exceptional items			-458
Operating loss	-898	-809	-2,453
Finance income	1	6	7
Finance costs	-24	-23	-46
Loss before taxation	-921	-826	-2,491
UK corporation tax		5	
Loss for the period attributable to equity shareholders	-921	-821	-2,491
Loss per share (pence)			
Basic and diluted	0.09 p	0.14 p	0.39 p

**Angel Biotechnology Holdings plc**

**Unaudited Group Balance Sheet as at 30 June 2007**

	Unaudited Half year to 30-Jun-07 £'000	Unaudited Half year to 30-Jun-06 £'000	Audited Year ended 31-Dec-06 £'000
<b>Non current assets</b>			
Intangible assets	1	145	2
Property, plant and equipment	<u>3,716</u>	<u>3,883</u>	<u>3,962</u>
	3,717	4,028	3,964
<b>Current assets</b>			
Trade and other receivables	258	923	337
Cash and cash equivalents	<u>165</u>	<u>46</u>	<u>248</u>
	423	969	585
<b>Total assets</b>	<u>4,140</u>	<u>4,997</u>	<u>4,549</u>
<b>Current liabilities</b>			
Trade and other payables	-1,547	-1,271	-1,393
Short-term provisions	-52	-87	-157
Bank and other loans	-94	-	-130
Government grants	<u>-144</u>	<u>-</u>	<u>-144</u>
	-1,837	-1,358	-1,823
<b>Non current liabilities</b>			
Other non-current liabilities	-	-113	-72
<b>Total liabilities</b>	<u>-1,837</u>	<u>-1,471</u>	<u>-1,896</u>
<b>Net assets</b>	<u>2,303</u>	<u>3,526</u>	<u>2,654</u>
<b>Capital and reserves</b>			
Share capital	1,080	602	840
Share premium account	3,097	2,207	2,767
Merger reserve	3,947	3,947	3,947
Profit & loss account	<u>-5,821</u>	<u>-3,230</u>	<u>-4,900</u>
Equity shareholders' funds	<u>2,303</u>	<u>3,526</u>	<u>2,654</u>

**Angel Biotechnology Holdings plc**

**Unaudited reconciliation of Group Income Statement for the half year ended 30 June 2007**

There are no conversion effects arising from the transition from UK GAAP to IFRS.

**Unaudited reconciliation of Group Balance Sheet for the half year ended 30 June 2007**

	Unaudited Half year to 30-Jun-07 £'000	Unaudited Half year to 30-Jun-06 £'000	Audited Year ended 31-Dec-06 £'000
Conversion effects comprise:			
IAS38 - reclassification of software from tangible to intangible assets			
Non current assets			
Intangible assets			
UK GAAP	-	142	-
Effect of transition to IFRS	<u>1</u>	<u>3</u>	<u>2</u>
IFRS	<u>1</u>	<u>145</u>	<u>2</u>
Property, plant and equipment			
UK GAAP	3,717	3,886	3,964
Effect of transition to IFRS	<u>-1</u>	<u>-3</u>	<u>-2</u>
IFRS	<u>3,716</u>	<u>3,883</u>	<u>3,962</u>

There are no other conversion effects arising from the transition from UK GAAP to IFRS.

**Statement of changes in equity for the half year ended 30 June 2007**

	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total shareholders' funds £'000
At 31 December 2005 as previously stated	602	2,207	3,947	-2,409	4,347
Prior period effect of adoption of IFRS	-	-	-	-	-
At 31 December 2005 as restated	<u>602</u>	<u>2,207</u>	<u>3,947</u>	<u>-2,409</u>	<u>4,347</u>
Share issue	238	560			798
Loss for the year				-2,491	-2,491
At 31 December 2006	<u>840</u>	<u>2,767</u>	<u>3,947</u>	<u>-4,900</u>	<u>2,654</u>
Share issue	240	330			570
Loss for the period				-921	-921
At 30 June 2007	<u>1,080</u>	<u>3,097</u>	<u>3,947</u>	<u>-5,821</u>	<u>2,303</u>

**Angel Biotechnology Holdings plc**

**Unaudited Group Cash Flow Statement for the half year ended 30 June 2007**

	Unaudited Half year to 30-Jun-07 £'000	Unaudited Half year to 30-Jun-06 £'000	Audited Year ended 31-Dec-06 £'000
Cash flows from operating activities:			
Operating loss	-898	-809	-2,452
Amortisation and depreciation	252	140	155
(Increase) decrease in debtors	79	-423	155
Increase in creditors	237	543	674
Increase (decrease) in provisions	-105	19	88
	<hr/>	<hr/>	<hr/>
Cash generated from operations	-434	-530	-1,380
UK corporation tax received		5	8
	<hr/>	<hr/>	<hr/>
Net cash generated from operating activities	-434	-525	-1,373
Cash flows from investing activities:			
Interest received	1	6	7
Purchase of non-current assets, net of grants received	-5	-586	-332
	<hr/>	<hr/>	<hr/>
Net cash used by investing activities	-5	-580	-325
Cash inflow (outflow) before financing	-439	-1,105	-1,697
Cash flows from financing activities:			
Interest paid	-24	-23	-46
Repayment of bank loans	-127	-	-90
Net receipt from finance leases	-64	149	281
Issue of ordinary share capital	570	-	776
	<hr/>	<hr/>	<hr/>
Net cash from (used by) financing activities	356	126	921
Net increase (decrease) in cash and cash equivalents	-84	-979	-777
Cash and cash equivalents at beginning of period	248	1,025	1,025
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of period	165	46	248

## Angel Biotechnology Holdings plc

### Notes to the Group Interim Financial Statements

#### 1. General information

Angel Biotechnology Holdings plc is a public limited company (“the Company”) incorporated in the United Kingdom under the Companies Act 1985 (registration number 5383314). The Company is domiciled in the United Kingdom and its registered address is 50 Broadway, London, SW1H 0BL. The Company’s ordinary shares are traded on the Alternative Investment Market (“AIM”). Copies of the interim report are available from the Companies website, [www.angelbio.com](http://www.angelbio.com). Further copies of the Interim Report and Annual Report and Accounts may be obtained from the address above.

The Group’s principal activity is the manufacture and supply of bio-materials for use in clinical trials and at product launch.

#### 2. Basis of preparation

Angel Biotechnology Holding plc has adopted International Financial Reporting Standards (“IFRS”) with effect from 31 December 2005. The Group will apply IFRS in its consolidated financial statements for the year ending 31 December 2007. Therefore, these interim statements are the Group’s first financial statements prepared in accordance with IFRS. These financial statements may need updating for subsequent amendments to IFRS required for first time adoption or for new standards issued post balance sheet date.

The basis of preparation and accounting policies followed in this interim report differ from those set out in the Annual Report and Accounts 2006 which were prepared in accordance with United Kingdom accounting standards (UK GAAP). A summary of the significant accounting policies used in preparation of this interim report under IFRS is provided in note 3 below.

As permitted, this interim report has been prepared in accordance with AIM rules and not in accordance with IAS34 ‘Interim Financial Reporting’, therefore they are not fully compliant with IFRS. The interim financial statements do not constitute statutory accounts as defined by Section 240 of the Companies Act 1985.

#### 3. Accounting policies

##### Basis of consolidation

The full year consolidated financial statements incorporate the results and net assets of Angel Biotechnology Holdings plc and Angel Biotechnology Limited as if they had always been so owned by the shareholders of Angel Biotechnology Holdings plc.

Intercompany transactions and balances between Group entities are eliminated upon consolidation.

##### Going concern

The Directors consider that the company is a going concern and as a result the financial statements have been prepared on a going concern basis. The company’s wholly-owned subsidiary, Angel Biotechnology Limited, has been placed into administration in order to facilitate the sale of the Cramlington facility. Cash flow forecasts for a business model centred on the Pentlands facility indicate that sufficient revenue could be generated to allow the company to trade as a going

concern for at least twelve months from the date of issue of these financial statements.

#### Revenue recognition

The revenue shown in the income statement relates to amounts received and receivable from the provision of biologics products and services.

#### Property, plant and equipment

All items are initially recorded at cost

#### Depreciation

Depreciation is calculated to write off the cost of an asset over its useful economic life as follows:

Leasehold improvements	- the remaining life of the lease
Plant and machinery	- ten years, straight-line basis
Fixtures and computers	- four years (computers) and ten years (fixtures), straight-line basis

#### Research and development expenditure

Expenditure on research activity is recognised as an expense in the period in which it is incurred.

Internally-generated intangible assets arising from the Group's business development is recognised where it can be readily identified and quantified, of future value and where resources will be present to complete.

#### Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Balances are written off when the probability of recovery is considered to be remote.

#### Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

#### Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

#### Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

#### Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease terms. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss in proportion to the remaining balance outstanding.

All other leases are 'operating leases' and the annual rentals are charged to the income statement on a straight-line basis over the lease term.

#### Pension contributions

The Group makes contributions to its employees own personal pension schemes. The contributions payable are charged to the income statement with differences between those payable in the period and those actually paid being shown either as accruals or prepayments in the balance sheet.

#### Share based payments

The Group issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over an estimated vesting period. Fair value is measured by use of a binomial model.

#### Government grants

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the income statement over the estimated useful life of the assets to which they relate. Government grants of a revenue nature are credited to the income statement in the same period as the related expenditure.

#### Investments

Participating interests are stated at cost less amounts written off in the company balance sheet.

#### Taxation

Tax currently payable is based on the taxable profit for the period which may differ from net profit reported in the income statement.

Deferred taxation 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 further tax, or a right to pay less tax in future. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the gains or losses in tax assessments in period different from those in which they are recognised in the financial statements. Deferred tax assets are recognised only to the extent that the Director consider that it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted. 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.

## **Further notes on reporting under International Financial Reporting Standards.**

This interim report is the first to be prepared under IFRS. The comparative figures have been prepared on the same basis and have therefore been restated from those previously prepared under UK GAAP. The commentary below details the key changes that have arisen due to the transition to reporting under IFRS. The Group's date of transition is 1 January 2006, which is the beginning of the comparative period for the 2006 financial year. Therefore the opening balance sheet for IFRS purposes is that reported at 31 December 2005 as amended for changes due to IFRS.

### **First time adoption**

The Group has applied the provisions of IFRS1 – First Time Adoption of International Financial Reporting Standards which, generally, requires that IFRS accounting policies be applied retrospectively in determining the opening balance sheet at the date of transition.

The following reconciliation is included in these statements:

Reconciliation of unaudited Group balance sheets at 30 June 2007 and 30 June 2006 and audited Group balance sheet to 31 December 2006.

The transition from UK GAAP to IFRS does not affect the cash flows generated by the Group. The IFRS cash flow statement is presented in a different format to that required under UK GAAP.

The balance sheet has the following reconciling item between the UK GAAP format and the IFRS format:

### **Intangible assets**

At transition the Group followed the provisions of IAS36 and reclassified separately identifiable computer software assets from tangible assets to intangible assets.

There are no reconciling items between the UK GAAP format and the IFRS format for the income statement and the cash flow statement