



**Annual Report
& Accounts 2007**

Excellence, Experience, Delivery
Customised Biopharmaceutical Solutions





Angel Biotechnology Holdings Plc
ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2007

Contents

Introducing Angel Biotechnology Holdings Plc	2
Officers and Professional Advisors	4
Chairman's Statement	6
Directors' Report	8
Corporate Governance Report	10
Remuneration Committee Report	12
Independent Auditor's Report to the Members	14
Income Statement	15
Balance Sheet	16
Statement of Changes in Equity	16
Cash Flow Statement	17
Notes to the Financial Statements	18
Further Notes on Reporting Under IFRS as adopted by the EU ...	28

Introducing Angel Biotechnology Holdings Plc

Angel Biotechnology Holdings Plc (Angel) operates within the growing biopharmaceuticals segment of the worldwide pharmaceuticals market. Biopharmaceuticals are medicines whose active ingredients typically cannot be chemically synthesised. Based on natural and modified proteins and antibodies, they offer new and improved ways to treat a wide range of diseases including cancer, diabetes and heart conditions. Biologics (biological products) such as vaccines are also considered to be part of this sector. Biologics as medicines, for example Interferon, are expensive to produce and often satisfy unmet needs for treatment of important diseases. They typically command higher prices than small molecule based drugs.

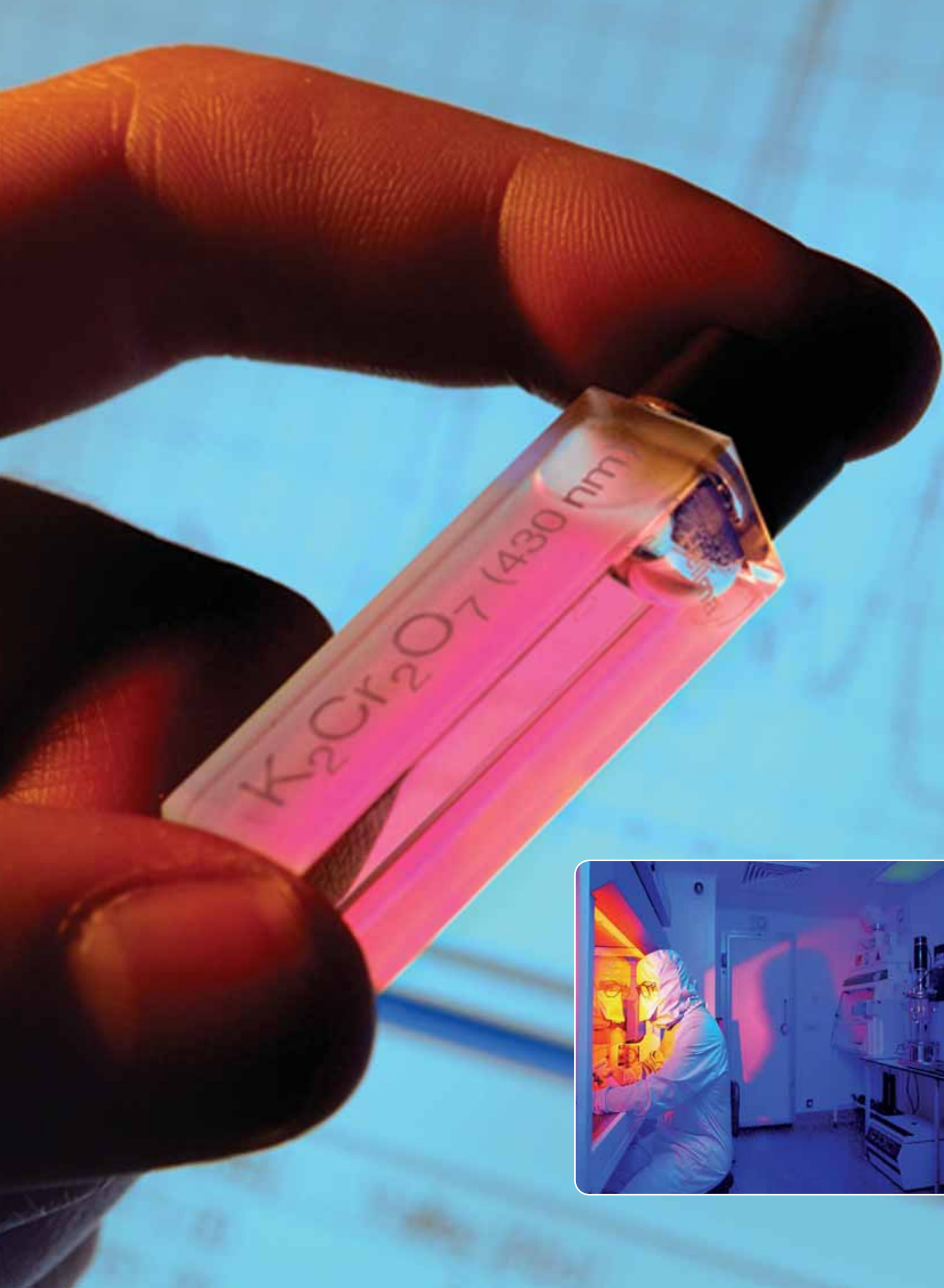
There is a trend to outsource the manufacture of biologics to support clinical development and to only consider in house manufacturing at a later stage. Angel is focusing on the early stage high value market, aiming to produce material for pre-clinical research and Phases I, II and III clinical trials. Angel has the capacity to produce drug substance and currently has contracts to do so.

Angel is managed by a team that has more than 100 years combined experience in pharmaceutical and biopharmaceutical manufacture, gained in companies such as GlaxoSmithKline Beecham and Serologicals Inc.

Angel operates out of its site at Pentlands Science Park near Edinburgh. Certification of its Pentlands facility by the MHRA to the EU clinical trials regulations as cGMP (current Good Manufacturing Practice) compliant was received in July 2005 and was confirmed on reinspection in September 2007. The company also holds a Manufacturer's and Importer's Licence (MIA) from the MHRA allowing the company to manufacture licensed pharmaceuticals. Angel is also licensed by the Human Tissue Authority (HTA)

Early involvement in the development of efficient producer organisms and thus an efficient process at the pilot stage, makes Angel the obvious choice as manufacturer of product for pre-clinical and clinical studies. This is because the cost of transferring a complex process to a new manufacturer and the inherent risks and regulatory implications of so doing make this a risky, unattractive, costly and time consuming option. Angel has also anticipated the impact of new regulatory specifications that require drug products for use in clinical trials to be manufactured to cGMP and has designed its production facilities accordingly.

Angel is positioned to capitalise on the future growth of the biopharmaceutical sector. Angel differentiates itself from its competitors by offering vertically integrated biopharmaceutical manufacturing solutions, reducing risk, cost and timelines for clients. The directors believe that by providing a combination of technical expertise and commercial, regulatory and management experience, Angel will successfully develop into a market leader.



Officers and Professional Advisors



Dr P B Harper

Executive Chairman

Dr Paul Harper, aged 62, Executive Chairman, has over 30 years' experience of the life sciences industry covering both drug development and medical devices. Dr Harper has served as Chief Executive of Cambridge Antibody Technology Limited and Provensis Limited. He has also served as Corporate Development Director of Unipath, then the medical diagnostics business of Unilever, and as Director of Research and Development for Johnson & Johnson Limited. He is Chairman of Sareum Holdings Plc and a Director of Reneuron Group Plc and Physiomics Plc, all AIM quoted companies. In addition, he is Chairman of Regen Tec Limited, Food and Drug Analytical Services Limited and Monica Healthcare Limited. Formerly head of Antimicrobial Chemotherapy for Glaxo, Dr Harper holds a doctorate in molecular virology and is the author of over 50 publications.



G T Sherriff

Chief Operating Officer
and Business Development Director

Gordon Sherriff, aged 48, Chief Operating Officer and Business Development Director, trained as an immunologist and has over 27 years' experience in biologics manufacturing gained with the National Blood Service, the International Blood Group Reference Laboratory in Oxford, the Bio-Products Laboratory in London, Serologicals Inc. and Excell Biotech Limited, of which he was a co-founder. He has held a number of senior scientific, operational, technical and managerial roles in these organisations. He has significant cGMP manufacturing, process development and quality systems experience having been responsible for the implementation in three organisations of MHRA (formerly MCA) manufacturer's licences and for ISO 9001 certification. He has also successfully maintained an FDA manufacturer's licence and has significant regulatory experience including the CMC element of IND submissions. As a result, Mr Sherriff has a detailed understanding of regulatory issues and customer needs and concerns when contracting out their development and cGMP manufacturing.

Secretary

R J Jones

Registered Office50 Broadway
Westminster
London
SW1H 0BL**Auditor**Baker Tilly UK Audit LLP
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD**Banker**Lloyds TSB Bank Plc
1st Floor
Black Horse House
Sandyford Road
Newcastle upon Tyne
NE99 1JW**Registrar**Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA**Broker and
Financial Adviser**Dowgate Capital
Stockbrokers Limited
Talisman House
Jubilee Walk
Three Bridges
Crawley
West Sussex
RH10 1LQ**Nominated Adviser**Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU**Solicitor**Bircham Dyson Bell LLP
50 Broadway
Westminster
London
SW1H 0BL**G D Clark**

Non-Executive Director

Gavin Clark has 25 years' experience in the life sciences sector holding senior positions in the industry before forming his own practice Procela Partners Limited. He was responsible for global licensing for infectious diseases at Glaxo Wellcome until 1999 and served as VP Business Development for Tibotec Pharmaceuticals up until the acquisition by Johnson & Johnson in 2002. His extensive licensing and commercial development experience encompasses global, regional, drug delivery, diagnostics and generics deals from both big and small sides of the negotiating table. Mr Clark has a bachelor's degree in chemistry from the University of Strathclyde.

Mr Clark chairs Angel's Audit Committee.

**F J Fernandez**

Non-Executive Director

Francisco Javier Fernandez, aged 36, Non-Executive Director, is currently the Marketing Director for Suan Farma, S.A. of Spain where he has worked for five years. He has a degree in Economics and Business Administration and an MBA and has seven years' experience in the global pharmaceutical industry earned principally with Suan Farma, S.A., which is a shareholder of the Company.

Chairman's Statement

Results for the 12 months ended 31 December 2007

Angel 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 specialist technical services and products our customers require, on time and within budget.

Angel has the facilities required to deliver its vision of providing clients with customised services to support their development requirements, under one roof. We believe that Angel has a unique offering at this scale within the contract manufacturing industry.

Revenues in 2007 were £442,809 and arose entirely from our Pentlands (Edinburgh) facility. These revenues have arisen since the Company's re-organisation that was announced on 27 June 2007. Revenue until then was generated by Angel Biotechnology Limited and neither the 2007 numbers nor the comparatives for 2006 include those revenues. During the second half of 2006, Angel Biotechnology Limited had revenues of approximately £1.122 million and £1.873 million for the whole year. The Company made a pre-tax loss of £1,208,182 in 2007 after costs incurred as a consequence of Angel Biotechnology Limited's administration totalling £808,898.

This fiscal year has been one of the most traumatic in the history of the Company to date with the restructuring of the business to fully exploit the potentially profitable Pentlands facility and the closure of the unprofitable Cramlington facility. A new headquarters function was established for our small but experienced team. In addition, it was necessary to expand the facility to provide the development and quality capabilities not previously available at Pentlands. This has now been successfully achieved and the medicines inspectorate (MHRA) re-inspected the extended facility and reviewed the newly introduced capabilities in September 2007. Additionally, in October 2007 Angel applied for a Manufacturer's and Importer's Authorisation (MIA) which was granted in 2008 allowing us to manufacture licensed products for sale within the EU. We believe that the Pentlands facility at its operating scale, is the only one in the UK to be licensed to this level currently.

The Pentlands facility has established a sound client base and an enviable reputation for delivering biologics products and services in the cell culture field. The operating costs of this type of GMP facility are substantially lower than those for a fermenter-based GMP facility like that at Cramlington. A secondary benefit of the Pentlands facility is that it retains its capability for manufacture of microbe-based protein and phage (bacterial viruses) manufacture and for production of human viruses. These capabilities allow Angel to adapt rapidly to changing market trends, maximising business opportunities and revenue generating possibilities.

Without the burden of Cramlington, in the second half of the period and despite restructuring costs the Company was able to move forward with a considerably reduced cost base. The investment in Angel by EPhaG AS, set out below, benefits Angel with detailed, agreed proposals for new business coupled with the opportunity to expand our fully licensed operations and grow the business rapidly

Business Development

The prevailing financial environment has made the signing of new business more difficult. Many of the client companies that would bring business to Angel are SMEs with products in development, where the funding of that development is largely reliant on funds invested in such companies rather than revenue from marketed products. Angel has been successful in signing a number of contracts but the time from first approach to a signed contract is now considerably longer than in the past. Angel's restructuring has resulted in a much reduced cost base and a more flexible technical offering positioning the Company to better cope with the current business climate.

Angel signed a substantial GMP contract with a US based company that continued into 2007 with additional revenue earnings achieved. Angel manufactured and supplied GMP materials for use in a novel cell therapy in a UK-based clinical trials. The cells were successfully used in a novel area of transplant medicine. The nature of the work was highly specialised and drew on Angel's core expertise in finding GMP solutions for challenging projects. The client company expressed satisfaction with the service provided by the Angel team.

Angel also developed an ongoing relationship with ReNeuron Group Plc, 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. This relationship has continued to grow with a number of contracts and has culminated in Angel being named as their manufacturing partner for nominated clinical trials to be run in the future.

A contract was signed with CellGenea in Greece to provide manufacturing services under GMP for autologous umbilical stem cells. This contract is ongoing.

We also developed expertise in producing materials for cell based treatments for a number of forms of cancer. A development contract conducted for Danish cancer therapy company CellCure A/S was completed successfully.

The work to scale-up and validate the manufacturing processes for Phico Therapeutics Limited's novel anti-infective product, designed to eliminate nasal carriage of *Staphylococcus aureus*, including MRSA, was completed satisfactorily. Our expertise in this specialist area was recognised and led to further work principally with Novolytics Limited who announced a contract with Angel recently.

Two contracts were signed with the Russian company Materia Medica to produce bulk materials for use in fully licensed products within the EU. This has involved Angel forging a regulatory path for these products, bringing significant relevant experience to the Company. These contracts continue currently. The Company has a pipeline of such products and Angel is well positioned to gain future contracts.

Towards the end of 2007, the Company was approached with a proposal from an Estonian pharmaceutical company, EPhaG AS who wanted to make a significant investment in Angel in order to secure a manufacturing partner. An agreement was signed that provided for a £1m investment in Angel that would be used to develop the capacity and resource to manufacture three bio-molecules, for use in key areas of medicine, over a three year period. This deal has the potential to secure Angel's future for some time to come. Press releases made in 2008 confirmed that the deal had been completed. Moreover, the Directors believe that the relationship with EPhaG AS will lead to exciting collaborative ventures in the future.

Since its inception, Angel has been successful in obtaining regulatory approvals (MHRA and HTA) required to establish and grow its business. In 2007 Angel successfully underwent its bi-annual audit for our Investigational Medicinal Products Licence. Additionally, we were granted a Manufacturer's and Importer's Authorisation, allowing Angel to manufacture licensed products for export or sale within the EU. These licences are a significant differentiation factor for Angel. The Company expects to continue to maintain its current licences and obtain further licences as required to support closely related business development.

Outlook

Whilst the trading climate is more difficult than is usual, Angel's lower cost base, fully licensed status and ability to take on a wide range of project types places the Company in a good position to attract profitable business through competitive pricing and a track record of delivering technically challenging programmes to the satisfaction of our clients. The directors believe that the relationship with EPhaG AS will not only provide a substantial quantity of business in the short-to-medium term but also has the potential to open up exciting possibilities that may take Angel beyond the boundaries of being solely a contract manufacturing operation.

Dr Paul Harper
Chairman, Angel Biotechnology Holdings Plc

Directors' Report

The directors submit their report and the audited financial statements of Angel Biotechnology Holdings Plc for the year ended 31 December 2007

Principal Activities

The principal activity continues to be the manufacture and supply of biologics – biological products whose active ingredients cannot be chemically synthesized. The Company supplies the biopharmaceuticals contract manufacturing sector of the biologics market and within that sector is focusing on the early stage drug development work such as chemistry, manufacturing and controls, and pre-clinical studies, along with drug products for Phases I, II and III of clinical trials.

History of Share Issues

On March 12 2007 the Company allotted and issued 240,000,000 ordinary shares of 0.1p each at a price of 0.25p per share. On July 9 2007 the Company allotted and issued 114,285,715 ordinary shares of 0.1p each at a price of 0.175p per share.

Review of the Business

The Board of Directors judge the Company's financial performance by reference to the budget that it established. During the year the Board proactively managed its expenditure according to the revenue achieved. A comprehensive review of the year is given in the Chairman's statement.

The Board of Angel Biotechnology Holdings Plc routinely monitors a number of key performance indicators to assess the effectiveness of the business and to determine future strategy and planning:

- The pipeline of prospective clients is monitored regularly by the board. Due to the nature of our business and its prospective client base this pipeline frequently changes. The pipeline is separated into two sections: those prospects closest to signing (within three months) and the larger number of prospects which are further in the future. The overall level of potential revenue is monitored as well as the nature of the prospect and its ability to fit with the current resource or whether changes to resources are required.
- Project milestones are monitored and reviewed regularly by the board to assess the capability of the organisation to deliver in line with client expectations.
- Capacity utilisation is divided into two areas, our GMP manufacturing facility and our development laboratory. This results in a complex mix, and measurement is undertaken through review of the forward order book, available resource and milestone monitoring. The objective is to manage the business to ensure that no unnecessary gaps develop in the revenue plan and that capacity utilisation is maximised for the work available to Angel.
- Technical audits by regulators and clients are reviewed to ensure that the company is fully compliant with requirements and that future trends are noted and planned for.

Risks and Uncertainties

The Company's financial instruments comprise cash and short term deposits. The Company has various other financial instruments, such as trade debtors and creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The policies for managing these are regularly reviewed and agreed by the Board.

It is and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

Interest Rate Risk

The Company finances its operations by cash and short term deposits. The Company's policy on interest rate management is agreed at board level and is reviewed on an ongoing basis. Additionally, certain plant and equipment has been purchased under finance leases. For the year ended 31 December 2007 the average effective finance cost of these finance leases was 7% per annum.

Other creditors, accruals and deferred income values do not bear interest.

Interest Rate Profile

The Company has non-financial assets, excluding short term debtors other than sterling cash deposits of £42,034 (2006: £nil) which are part of the financing arrangements. The Company had no bank borrowings at 31 December 2007.

Liquidity Risk

As regards liquidity the Company's policy throughout the year has been to ensure continuity of funding by means of generating funds supported by raising capital. The Company expects to be cash positive in its operating activities in the near future.

Fair Values

Fair values of financial instruments equate to the best value as disclosed in the financial information. There are no material differences between the fair value of financial instruments and the amount at which they are stated in the financial statements.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK company law requires the directors to prepare financial statements for the company in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

The financial statements are required by law, and IFRS as adopted by the EU, to give a true and fair view of the state of affairs of the company.

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRS as adopted by the EU;
- d. 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 requirements of the Companies Act 1985.

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.

The directors are also responsible for the maintenance and integrity of the Angel Biotechnology Holdings Plc website.

Substantial Shareholdings

The Company has been informed that on 31 December 2007 the following shareholders held substantial holdings in the issued ordinary shares of the Company.

	No. of ordinary shares	Holding %
Pershing Keen Nominees Ltd	121,548,770	10.2
Pershing Keen Nominees Ltd	87,333,213	7.3
Barclayshare Nominees Limited	87,009,977	7.3
Productive Nominees Ltd	71,262,900	6.0
HSDL Nominees Limited	49,769,134	4.2
TD Waterhouse Nominees (Europe) Limited	40,985,445	3.4

No other person has reported an interest of more than 3% in the ordinary shares.

Directors

The following directors have held office since 1 January 2007

Dr P B Harper	Executive Chairman
G T Sherriff	Chief Operating Officer and Business Development Director
F J Fernandez	Non-Executive Director
G D Clark (appointed 4 December 2007)	Non-Executive Director
E M Oliver (resigned 30 April 2007)	Finance Director
S Duncan (resigned 21 November 2007)	Non-Executive Director
Sir Peter Brown (resigned 21 November 2007)	Non-Executive Director

Payment Policy

The Company pays its suppliers as it would wish to be paid and supports initiatives aimed at ensuring good practice in this area. Trade creditors of the Company were equivalent to 65 days purchases, based on the average daily amount invoiced by suppliers to the Company during the year.

Post Balance Sheet Event

On 29 April 2008, EPhaG AS, an Estonian pharmaceutical company, agreed to make a £1m investment in the Company to support a long term manufacturing collaboration. Of this sum, £617,023 is for a placement of ordinary shares at 0.275p per share and £382,977 as a convertible loan carrying a commercial rate of interest. The loan is designed to convert or be redeemed at the option of EPhaG AS after 12 months and can be repaid by the Company after 18 months from the date of the agreement. The conversion price is to be 0.4p per share. As a result of this transaction EPhaG will become the Company's largest shareholder with 15.74% of the Company prior to conversion of the loan.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Statement as to Disclosure of Information to Auditors

The directors in office on 10 July 2008 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

On behalf of the Board

Dr Paul Harper - Chairman
10 July 2008

Corporate Governance Report

Introduction

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good corporate governance. The Company has complied substantially throughout the year with the Code of Best Practice set out in Section 1 of the Combined Code 2006 (effective for periods commencing on or after 1 November 2006) appended to the Listing Rules of the Financial Services Authority. Details are provided below of how the Company applies the Code.

The Board

The Board is responsible to shareholders for the proper management of the Company. A Statement of Directors' Responsibilities in respect of the financial statements is set out on page 9.

The Board of Directors comprises two Executive Directors and two independent Non-Executive Directors.

The Board meets monthly and receives reports covering finance, business development, operations and technical matters together with any other material deemed necessary for the Board to discharge its duties. It is the Board's responsibility to review and approve the Company's strategy, budgets, major items of expenditure and acquisitions.

All board meetings were fully attended during the year.

Under the Articles of Association, all directors must offer themselves for re-election at least once every three years. One third of directors retires by rotation at every Annual General Meeting and are eligible for re-appointment.

Board Committees

The Board has established an Audit Committee and a Remuneration Committee, both with delegated responsibilities. The terms of reference are as close to the model terms of the Institute of Chartered Secretaries and Administrators as is possible for a board with two independent non-executive directors. Each meeting was fully attended during the year.

Audit Committee

The Audit Committee comprises Sir Peter Brown, the independent senior Non-Executive Director as Chairman and Mr Javier Fernandez. It is scheduled to meet twice a year. Chairmanship of the Audit Committee was assumed by Mr Gavin Clark following the resignation of Sir Peter in November 2007. It is the Audit Committee's role to provide formal and transparent arrangements for considering how to apply the financial reporting and internal control principles of the code, whilst maintaining an appropriate relationship with the independent auditors of the Company.

The Committee is responsible for monitoring the quality of internal control, ensuring that the financial performance of the Company is properly measured and reported on, meeting with the auditors and reviewing reports from the auditors.

Remuneration Committee

The Remuneration Committee comprises the Chairman, Dr Paul Harper, Mr Stuart Duncan and Mr Javier Fernandez. It meets at least once a year. Mr Gavin Clark replaced Mr Duncan in November 2007 following the resignation of Mr Duncan. It is the Remuneration Committee's role to establish a formal and transparent policy on executive remuneration and to set remuneration packages for individual directors.

Shareholder Relations

The Company meets with its institutional shareholders and analysts as appropriate and will use the AGM to encourage the communication with private shareholders. In addition the Company intends to use the annual report and accounts, interim statements and website to provide further information to shareholders.

The board considers Sir Peter Brown to be the Senior Independent Director and the Chair of the Audit Committee. This role was assumed by Mr Gavin Clark when he joined the Board in November 2007.

The Company publishes information for shareholders on its website.

Internal Risks and Management

The Board is responsible for the system of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate risk and can provide only reasonable and not absolute assurance against material misstatement or loss. Each year, on behalf of the Board, the Audit Committee reviews the effectiveness of systems. This is achieved primarily by considering the risks potentially affecting the Company and from discussions with the external auditors.

The Company does not currently have an internal audit function due to the small size of the administration function, which amounts to three people, and the detailed level of director review and authorisation of transactions.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Company's results, as compared against budget are reported to the Board on a monthly basis and are discussed in detail.

The Company maintains appropriate insurance cover in respect of lives of the executive directors as well as against material loss or claims against the Company and reviews the adequacy of cover regularly.

Going Concern

The Board has considered the applicability of the going concern basis (as detailed in the accounting policies on page 18) in the preparation of these financial statements. This included the review of internal budgets and financial results. The directors have a reasonable expectation of adequate resources to continue in operation for the foreseeable future. For this reason they have adopted the going concern basis in the preparation of the financial statements.

The investment from EPhaG AS referred to in the Directors' Report on page 9 is ensuring that our facilities are developed to meet the current and intended future manufacturing needs of the Company and to continue to build shareholder value. Moreover, the directors believe that if the convertible loan element of the EPhaG AS investment is redeemed the business will be sufficiently cash positive to cover such an eventuality.

Corporate Social Responsibility

Angel Biotechnology Holdings Plc is a small dedicated team of professional people who operate to high standards. Included within those standards is a commitment to best practice on meeting the Company's social responsibilities.

Health and Safety

The Company is proactive in considering the safety of staff, visitors and the public. It operates a safety committee and has regular inspections by an independent specialist adviser. It had no notifiable safety incidents during the period.

Employees

Angel Biotechnology is committed to a policy of equal opportunities in the recruitment, engagement and treatment of its staff.

The motivation of staff and the maintenance of an environment, where innovation and team working is encouraged, are seen as key objectives by the Board. Regular Company meetings are held with staff where issues are discussed in an open manner.

Environment

The Company disposes of its waste products through regulated channels using reputable agents.

Compliance Statement

The Board has reviewed compliance with the Combined Code.

The Company has complied substantially with the other Code Provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the UK Listing Authority since the date of admission to AIM.

Dr Paul Harper - Chairman
10 July 2008

Remuneration Committee Report

Introduction

The Company recognises the value of the Combined Code on Corporate Governance issued by the London Stock Exchange. It seeks to comply with the Combined Code so far as practicable and appropriate for a public Company of its size and nature. The Company also seeks to follow the Guidance for Smaller Quoted Companies on the Combined Code issued by the Quoted Companies Alliance in August 2004. Companies trading on AIM are not required to provide a formal remuneration report.

However, in line with current best practice, this report provides information to enable a greater level of understanding as to how remuneration is determined by the board.

The remuneration committee of the Board is responsible for considering staff and directors' remuneration packages and makes its recommendations to the board. The Committee comprises the Chairman and two Non-Executive Directors. It meets at least once a year to review salaries and share option schemes for staff and directors.

Remuneration Policies

Remuneration packages are designed to be competitive and to reward above average performances. At present executive directors receive salary and a 10-12% pension contribution. The Chief Operating Officer also receives private healthcare benefit, has the use of a company vehicle and is entitled to a performance related bonus. He also holds share options that were issued prior to the Company being listed.

Service Contracts

The executive directors have executive service agreements with the Company dated 11 November 2005. The service agreements are subject to termination with six months notice being given by either party.

Pensions

The Company does not have a pension scheme but made contributions to executive directors' personal pension schemes of 10-12% of annual salaries.

Share Option Scheme

In setting up a share option scheme, the Company took into account the recommendations of shareholder bodies, such as the insurance companies on the number of options to issue, the criteria for vesting and the desirability of granting share options to Executive Directors. As a result, the Company did not initiate any new share options scheme for executive directors. It approved the following share incentive arrangements for staff on 20 July 2005, an Inland Revenue approved EMI share option scheme.

On 20 July 2005 share options over 1,430,000 ordinary shares of 0.1p each were granted and remain exercisable by staff, including the Chief Operating Officer, at an price of 0.5p. Under the scheme the options are exercisable at any time from 20 July 2007 to 20 July 2015. There are no performance conditions attached to these options.

Non-Executive Directors

The Non-Executive Directors entered into letters of engagement dated 31 August 2005 for Mr Duncan and 11 November 2005 for Sir Peter Brown and Mr Fernandez. Members may request copies of these letters by sending a stamped addressed envelope to the Company Secretary. The appointments can be terminated upon three months' notice being given by either party.

Gavin Clark was appointed a Director on 4 December 2007 and Stuart Duncan and Sir Peter Brown resigned their directorships on 21 November 2007.

Directors' Remuneration

Details of directors' remuneration in the year ended 31 December 2007 is set out below:

	Salary £	Benefits £	Emoluments £	Pension £	Total £
Executive					
Dr P Harper	30,042	-	30,042	-	30,042
Mr G Sherriff	48,727	8,656	57,383	5,847	63,230
Mr E Oliver	-	-	-	-	-
Non-Executive					
Mr S Duncan	-	-	-	-	-
Sir Peter Brown	-	-	-	-	-
Mr J Fernandez	-	-	-	-	-
G Clark	-	-	-	-	-
Total	78,769	8,656	87,425	5,847	93,272

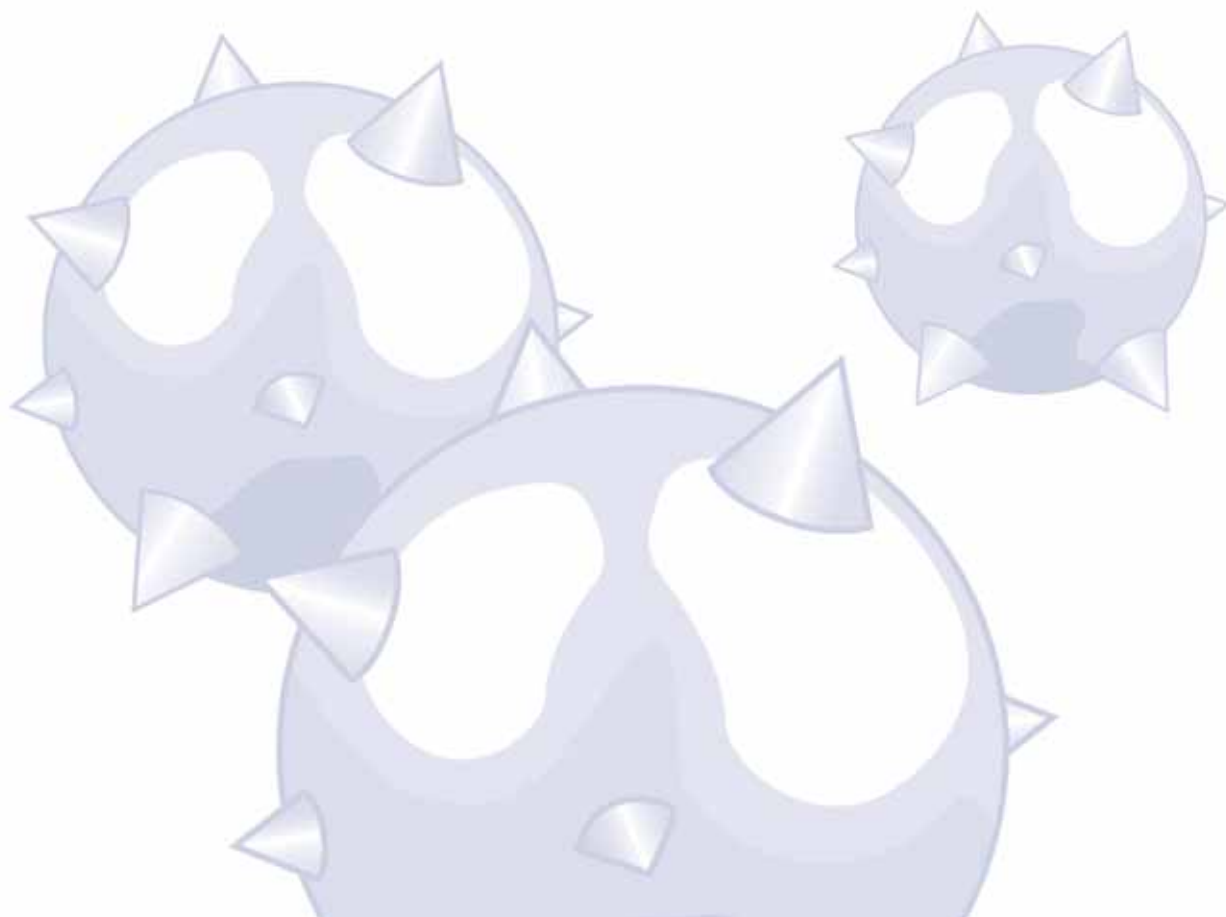
Mr Edward Oliver resigned his directorship on 30 April 2007

Remuneration Review

The Remuneration Committee is undertaking a complete review of staff salaries. In doing so it is considering the demands that have been placed on staff and the Company's achievements. The committee have considered that it is not yet appropriate to make changes to the salaries of directors.

By order of the Board

Dr Paul Harper - Chairman
10 July 2008



Independent Auditor's Report to the Members of Angel Biotechnology Holdings Plc

We have audited the Company financial statements on pages 15 to 29.

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

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) are set out in the Statement of Directors' Responsibilities.

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

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, Chairman's Statement, Remuneration Committee Report and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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

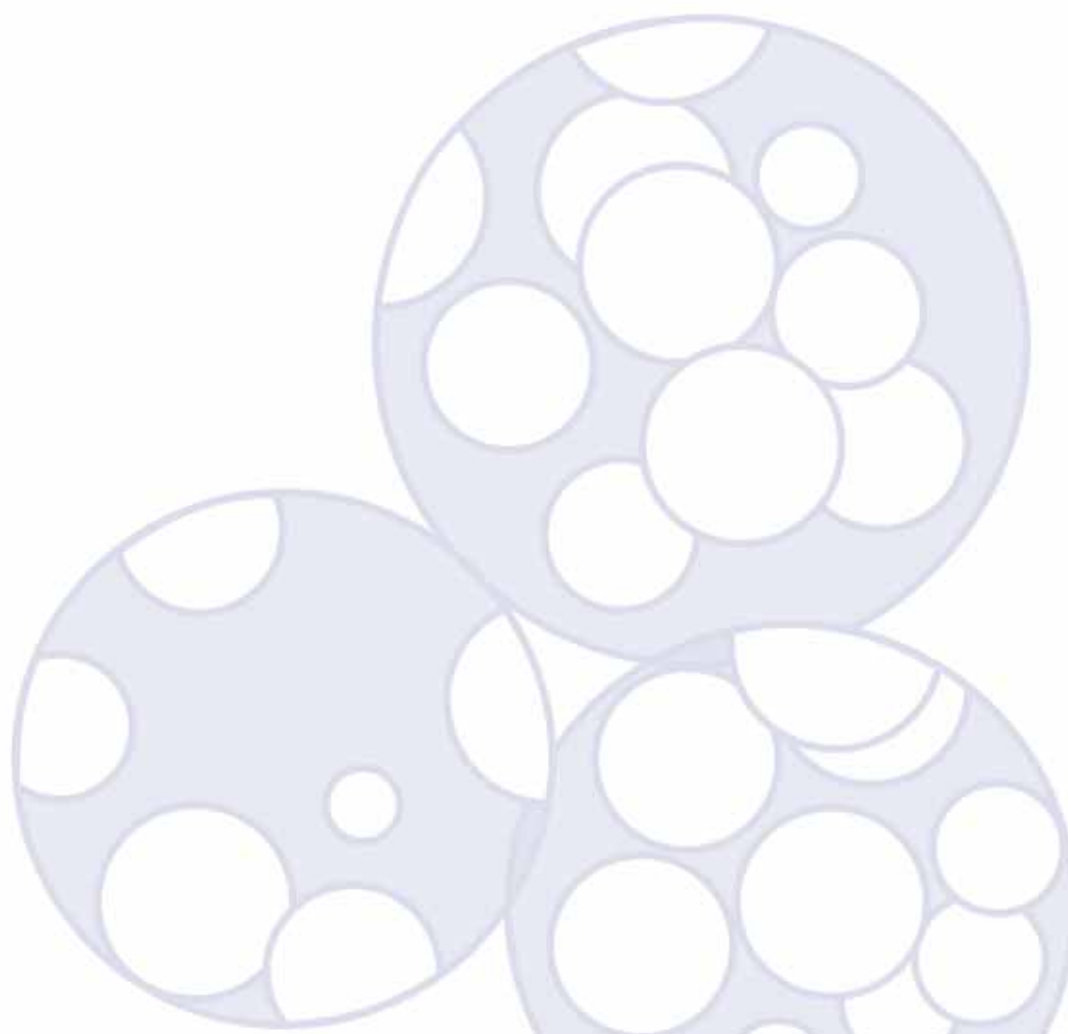
In our opinion;

- The financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the affairs as at 31 December 2007 and of the loss for the year then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD
10 July 2008

Income Statement for the Year Ended 31 December 2007

	Notes	Year ended 31-Dec-07 £	Year ended 31-Dec-06 £
Revenue	2	442,809	-
Cost of sales		-241,585	-
Gross profit		201,224	-
Net operating expenses		-600,725	-119,088
Restructuring costs	3	-808,898	-3,487,633
Operating loss	4	-1,208,399	-3,606,721
Finance income	5	1,666	-
Finance costs	6	-1,449	-
Loss before taxation		-1,208,182	-3,606,721
UK corporation tax	8	-	-
Loss for the period attributable to equity shareholders		-1,208,182	-3,606,721
Loss per share (pence)			
Basic and diluted	9	0.11p	0.56p



Balance Sheet as at 31 December 2007

	Notes	Year ended 31-Dec-07 £	Year ended 31-Dec-06 £
Non-current assets			
Intangible assets	11	923	-
Property, plant and equipment	12	355,362	-
		<u>356,285</u>	-
Current assets			
Trade and other receivables		126,687	-
Cash and cash equivalents		42,034	-
	10	<u>168,721</u>	-
Total assets		<u>525,006</u>	-
Current liabilities			
Trade and other payables		-556,737	-
Finance leases		-119,835	-
Loans		-23,000	-
Deferred income		-139,882	-
	10	<u>-839,454</u>	-
Non-current liabilities			
Finance leases	10	-126,234	-
Total liabilities		<u>-965,688</u>	-
Net assets		<u>-440,682</u>	-
Capital and reserves			
Share capital	16	1,194,073	839,787
Share premium account	17	3,180,148	2,766,934
Retained earnings	18	-4,814,903	-3,606,721
Equity shareholders' funds		<u>-440,682</u>	-

The financial statements on pages 15 to 29 were approved by the Board of Directors and authorised for issue on 10 July 2008 and are signed on its behalf by:
Dr Paul Harper - Chairman

Statement of Changes in Equity for the Year Ended 31 December 2007

	Share capital £	Share premium account £	Retained earnings £	Total shareholders' funds £
At 31 December 2005 as previously stated	601,827	2,207,035	-	2,808,862
Prior period effect of adoption of IFRS	-	-	-	-
At 31 December 2005 as restated	601,827	2,207,035	-	2,808,862
Share issue (net of costs)	237,960	559,899		797,859
Loss for the year			-3,606,721	-3,606,721
At 31 December 2006	839,787	2,766,934	-3,606,721	-
Share issue (net of costs)	354,286	413,214		767,500
Loss for the year			-1,208,182	-1,208,182
At 31 December 2007	1,194,073	3,180,148	-4,814,903	-440,682

Cash Flow Statement for the Year Ended 31 December 2007

	Year ended 31-Dec-07 £	Year ended 31-Dec-06 £
Cash flows from operating activities:		
Operating loss	-1,208,399	-3,606,721
Amortisation and depreciation	17,348	-
(Increase) decrease in receivables	-126,687	-
Increase in payables	556,737	-
Increase in deferred income	139,882	-
Increase in provisions	-	2,808,862
Cash generated from operations	-621,119	-797,859
UK corporation tax received	-	-
Interest paid	-1,449	-
Net cash generated from operating activities	-622,568	-797,859
Cash flows from investing activities:		
Interest received	1,666	-
Purchase of non-current assets, net of grants received	-104,223	-
Net cash used by investing activities	-102,557	-
Cash inflow (outflow) before financing	-725,125	-797,859
Cash flows from financing activities:		
Receipt of loans	23,000	-
Finance lease payments	-23,341	-
Issue of ordinary share capital	767,500	797,859
Net cash from (used by) financing activities	767,159	797,859
Net increase (decrease) in cash and cash equivalents	42,034	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	42,034	-

Notes to the Financial Statements

Basis of Preparation

Angel Biotechnology Holdings Plc has adopted International Financial Reporting Standards (IFRS) with effect from 1 January 2006. The Company will apply IFRS in its financial statements for the year ending 31 December 2007. Therefore, these statements are the Company's first financial statements prepared in accordance with IFRS as adopted by the EU.

The basis of preparation and accounting policies followed in this 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 report under IFRS as adopted by the EU is provided in accounting policies below.

As a consequence of restructuring the business in July 2007 revenue and costs incurred by Angel Biotechnology Limited are excluded from these statements.

Accounting Policies

Going Concern

The Board has considered the applicability of the going concern basis in the preparation of these financial statements. This included the review of internal budgets and financial results. The directors have a reasonable expectation of adequate resources to continue in operation for the foreseeable future. For this reason they have adopted the going concern basis in the preparation of the financial statements.

The investment from EPhaG AS referred to in the Directors' Report on page 9 is ensuring that our facilities are developed to meet the current and intended future manufacturing needs of the Company and to continue to build shareholder value. Moreover, the directors believe that if the convertible loan element of the EPhaG AS investment is redeemed the business will be sufficiently cash positive to cover such an eventuality.

Revenue Recognition

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

Revenue from the provision of products and services is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership, has no continuing managerial involvement or control to the degree normally associated with ownership and can reliably measure the economic benefits of the transaction.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Intangible Assets

Intangible assets acquired separately from third parties are recognised as assets and measured at cost.

Following initial recognition, intangible assets are measured at cost or fair value at the date of acquisition less any amortisation and any impairment losses. Amortisation costs are included within the net operating expenses disclosed in the income statement.

Intangible assets are amortised over their useful lives as follows:

	Useful Life	Method
Software	Five years	Straight line

Useful lives are also examined on an annual basis and adjustments, where applicable are made on a prospective basis. The Company does not have any intangible assets with indefinite lives.

Property, Plant and Equipment

All items are initially recorded at cost.

Impairment of Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets that do not individually generate cash flows, are assessed as part of the cash generating unit to which they belong. Cash generating units are the lowest levels for which there are cash flows that are largely independent of the cash flows from other assets or groups of assets.

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
Laboratory equipment	- 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.

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 Company after deducting all of its liabilities.

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.

Pension Costs

The Company intends to sponsor a defined contribution scheme. The contributions payable to the scheme in respect of employee service rendered during each year is recognised as an expense in that year. Contributions not paid at balance sheet date are included within accruals.

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.

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 profit and loss account in the same period as the related expenditure.

Share Based Payments

The Company 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.

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 Company'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 directors 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.

Adoption of International Accounting Standards

IFRS 8 'Operating Segments' (effective for periods commencing on or after 1 January 2009).

IFRS 8 introduces new disclosure requirements for segmental information and supersedes IAS 14 'Segmental Reporting'. The directors do not believe that the impact of the change in disclosure will be significant.

IFRIC 12, 'Service Concession Arrangements' (effective from 1 April 2008).

IFRIC 12 addresses the accounting by operators of public-private service concession arrangements. The Company has assessed the impact of this interpretation and has concluded it will have no effect on the Company's financial statements.

IFRIC 13, 'Customer Loyalty Programmes' (effective from 1 July 2008).

IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers that buy the entities' goods or services. Specifically, the interpretation explains how the entities should account for their obligations to provide free or discounted goods or services ('awards') to customers that redeem award credits. It is not likely to have a significant impact on the Company's financial statements.

IFRIC 14 IAS 19 - 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective 1 January 2008)

IFRIC 14, its recent interpretation of International Accounting Standard IAS 19, will affect employers that sponsor defined benefit schemes. At December 2007 the Company had no defined benefit schemes and had no current plans to introduce such schemes.

Notes to the Financial Statements (cont)

1. Critical Accounting Estimates and Areas of Judgement

There was no material accounting estimates or areas of judgements required.

2. Revenue and Segmental Reporting

The principal activity is the manufacture and supply of biological products whose active ingredients cannot be chemically synthesized.

This activity comprises a single segment of operation of a sole UK base and entirely UK based assets. Further segmental information is not available.

Revenue was derived in the UK from its principal activity. An analysis of revenue by geographical destination is given below:

	2007	2006
Revenue	£	£
United Kingdom	148,016	-
Rest of Europe	133,384	-
USA and Canada	161,409	-
	442,809	-

3. Restructuring Costs

	2007	2006
	£	£
Costs arising from administration of subsidiary	238,898	-
Write-off of investment in subsidiary	-	115,763
Write-off of intercompany debtor	570,000	3,371,870
	808,898	3,487,633

4. Operating Loss

	2007	2006
	£	£
Operating loss is stated after charging:		
Depreciation charge for the year		
- Owned assets	4,876	-
- Leased assets	12,348	-
Amortisation charge for the year	124	-
Staff costs, refer to note 7	311,602	
Audit services, refer to below	40,750	20,000
Rentals under operating leases:		
Land and buildings	64,781	-

Notes to the Financial Statements (cont)

		2007 £	2006 £
Amounts payable for both audit and non-audit services	Payable to:		
Audit services - Statutory audit	Baker Tilly	-	20,000
	Baker Tilly UK		
	Audit LLP	40,750	-
Tax services - Compliance services	Baker Tilly	-	2,500
	Baker Tilly Tax and Advisory Services LLP	4,025	-
		44,775	22,500

5. Finance Income

	2007 £	2006 £
Bank interest receivable	1,666	-

6. Finance Costs

	2007 £	2006 £
Finance lease contracts	1,449	-

7. Staff Costs

	2007 £	2006 £
Staff costs during the period (including directors)		
Wages and salaries	264,279	-
Social security costs	27,993	-
Pension costs	19,330	-
	311,602	
Average number of employees		
Administration and finance	6	-
Research and development and production	6	-
	12	-

Details of the remuneration of directors are included in the Remuneration Committee Report on page 13.

Notes to the Financial Statements (cont)

8. Taxation

(a) Analysis of charge in the year

	2007	2006
	£	£
Current tax:	-	-

(b) Factors affecting current tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The timing differences are explained below:

	2007	2006
	£	£
Loss on ordinary activities before taxation	-1,208,182	-3,606,721
Tax on loss on ordinary activities at standard corporation tax rate of 19% (2006: 19%)	-229,555	-685,277
Expenses not deductible for tax purposes	160,054	685,277
Income not taxable for tax purposes	-374,931	-16,737
Capital allowances in excess of depreciation	-4,561	-
Unrelieved tax losses and other deductions arising in the period	448,993	16,737
Total current tax (note 8(a))	-	-

At 31 December 2007 tax losses of approximately £2,451,206 (2006: Nil) remained available to carry forward against future taxable trading profits.

9. Earnings per Share

The calculations of loss per share are based on the following losses and numbers of shares.

	2007	2006
	£	£
Loss on ordinary activities after tax	-1,208,182	-3,606,721
	No.	No.
Weighted average no of shares:		
For basic and diluted loss per share	1,088,867,383	646,811,604
Basic and diluted loss per share	0.11p	0.56p

Basic and diluted losses per share are the same as there is no dilution.

Notes to the Financial Statements (cont)

10. Financial Instruments Recognised in the Balance Sheet

Held for trading	2007 £	2006 £
Current financial assets		
Trade and other receivables	126,687	-
Cash and cash equivalents	42,034	-
	168,721	-
Current financial liabilities		
Trade and other payables	556,737	-
Finance leases	119,835	-
Loans	23,000	-
Deferred income	139,882	-
	839,454	-
Non-current financial liabilities		
Finance leases	126,234	-

11. Intangible Fixed Assets

	Software £
Cost	
At 1 January 2007	-
Additions	1,047
At 31 December 2007	1,047
Amortisation	
At 1 January 2007	-
Additions	124
At 31 December 2007	124
Net book value	
31 December 2007	923
31 December 2006	-

Notes to the Financial Statements (cont)

12. Property Plant and Equipment

	Laboratory equipment £	Fixtures and computers £	Total £
Cost			
At 1 January 2007	-	-	-
Additions	370,383	2,203	372,586
At 31 December 2007	370,383	2,203	372,586
Depreciation			
At 1 January 2007	-	-	-
Charge in the year	16,976	248	17,224
At 31 December 2007	16,976	248	17,224
Net book value			
31 December 2007	353,407	1,955	355,362
31 December 2006	-	-	-

The net book value of laboratory equipment included £257,062 (2006: £nil) in respect of assets held under finance lease contracts. The depreciation charge in respect of these assets was £12,348 (2006: £nil).

13. Obligations Under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2007 £	2006 £	2007 £	2006 £
Amounts payable under finance leases				
Within one year	129,820	-	119,835	-
In the second to fifth years inclusive	138,025	-	126,233	-
	267,845		246,068	
Less future finance charges	21,777	-	N/A	-
Present value of lease obligations	246,068	-	246,068	-
Amount due for settlement within 12 months			119,835	-
Amount due for settlement after 12 months			126,233	-

For the year ended 31 December 2007 the average effective borrowing rate was 7% per annum. The average lease term is two years.

Notes to the Financial Statements (cont)

14. Other Financial Assets and Liabilities

Trade and other receivables are as follows:

	2007 £	2006 £
Trade receivables	43,958	-
Prepayments	54,994	-
Other receivables	27,735	-
	<u>126,687</u>	-

Trade receivables do not exceed an average of 30 days, the standard payment terms of the Company. The directors consider the carrying amount of trade and other receivables approximates to their fair value.

Trade and other payables are as follows:

Amounts payable relating to the purchase of goods and services	200,596	-
Other payables	146,758	-
Accruals	209,383	-
	<u>556,737</u>	-

Trade payables of the Company were equivalent to 65 days of purchases. The directors consider the carrying amount of trade payables approximates to their fair value.

15. Loans

During the year the Company received a loan of £23,000 from Dr. P B Harper, a director. The amount due to Dr. Harper at 31 December 2007 was £23,000. There is no interest payable on this loan and there is no fixed repayment date.

16. Share Capital

	2007 Number	2006 Number
Ordinary shares of 0.1p each		
Authorised:	5,000,000,000	5,000,000,000
Issued and fully paid:	£	£
As at 1 January	839,787	601,827
Issue of share capital	354,286	237,960
As at 31 December	<u>1,194,073</u>	839,787

The Company has one class of ordinary shares which carry no right to fixed income.

On 23 October 2006 the Company allotted and issued 237,959,714 ordinary shares of 0.1p each at a price of 0.35p per share.

On 12 March 2007 the Company allotted and issued 240,000,000 ordinary shares of 0.1p each at a price of 0.25p per share.

On 9 July 2007 the Company allotted and issued 114,285,715 ordinary shares of 0.1p each at a price of 0.175p per share.

On 25 October 2007 the Company issued warrants for 28,571,425 ordinary shares of 0.1p each with an exercise price of 0.175p per share. At 31 December 2007 none of these warrants had been exercised.

Notes to the Financial Statements (cont)

17. Capital Reserves

	Share premium £
Balance at 1 January 2006	2,207,035
Issue of shares (note 16)	594,899
Share issue costs	-35,000
Balance at 31 December 2006	2,766,934
Issue of shares (note 16)	445,714
Share issue costs	-32,500
Balance at 31 December 2007	3,180,148

18. Retained Earnings

	£
Balance at 1 January 2006	-
Loss for the year	3,606,721
Balance at 31 December 2006	-3,606,721
Loss for the year	-1,208,182
Balance at 31 December 2007	-4,814,903

19. Deferred Taxation

	2007 £	2006 £
Accelerated capital allowances	7,202	-
Tax losses	-7,202	-

20. Operating Lease Arrangements

The minimum lease payments under non-cancellable operating lease rentals are in aggregate as follows:

Amounts due:	2007 £	2006 £
Within one year	29,946	-
Between one and five years	184,167	-
	214,113	-

Operating lease payments represent rentals payable by the Company for certain of its properties.

21. Capital Commitments and Other Contractual Obligations

At 31 December 2007 and 31 December 2006 the Company had no capital commitments.

Notes to the Financial Statements (cont)

22. Share Based Payment Transaction

The Company operates a share option scheme under the Enterprise Management Initiative Scheme (EMI). The following share options have been granted over ordinary shares of 0.1p each and remain exercisable under the EMI scheme:

	Granted	Exercised	At 31 December 2007	Exercise Price	Date from which exercisable	Expiry Date
G T Sherriff	550,000	-	550,000	0.5p	20.07.07	20.07.15

A further 880,000 options were granted to employees exercisable from 20 July 2007 for an exercise price of 0.5p. The total EMI options outstanding as at the year end were 1,430,000. There are no performance conditions attached to these options.

During the year no share options have been granted and share options are valued at date of grant. Consequently, no expenses are recognised for equity-settled share-based payments transactions in the year. Additionally, in the years of issue of existing share options, no expenses were required to be recognised.

23. Financial Instruments

The Company's financial instruments comprise cash and short term deposits. The Company has various other financial instruments, such as trade debtors and creditors that arise directly from its operations, which have been excluded from the disclosures other than the currency disclosures.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The policies for managing these are regularly reviewed and agreed by the board.

It is and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

Interest Rate Risk

The Company finances its operations by cash and short term deposits. The Company's policy on interest rate management is agreed at board level and is reviewed on an ongoing basis. Additionally, certain plant and equipment has been purchased under finance leases. For the year ended 31 December 2007 the average effective finance cost of these finance leases was 7% per annum.

Other creditors, accruals and deferred income values do not bear interest.

Interest Rate Profile

The Company has non-financial assets, excluding short term debtors other than sterling cash deposits of £42,034 (2006: £nil) which are part of the financing arrangements of the Company.

The Company had no bank borrowings at the 31st December 2007.

Liquidity Risk

As regards liquidity the Company's policy throughout the year has been to ensure continuity of funding by means of generating funds supported by raising capital. The Company expects to be cash positive in its operating activities in the near future.

Fair Values

Fair values of financial instruments equate to the best value as disclosed in the financial information. There are no material differences between the fair value of financial instruments and the amount at which they are stated in the financial statements.

Notes to the Financial Statements (cont)

24. Non Cash Transactions

During the year finance lease obligations for plant and equipment of £269,410 (2006: Enil) were entered into.

25. Related Party Transactions

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Company, is set out on page 13.

26. Post Balance Sheet Event

On 29 April 2008, EPhaG AS, an Estonian pharmaceutical company, agreed to make a £1m investment in the Company to support a long term manufacturing collaboration. Of this sum, £617,023 is for a placement of ordinary shares at 0.275p per share and £382,977 as a convertible loan carrying a commercial rate of interest. The loan is designed to convert or be redeemed at the option of EPhaG AS after 12 months and can be repaid by the Company after 18 months from the date of the agreement. The conversion price is to be 0.4p per share. As a result of this transaction EPhaG AS will become the Company's largest shareholder with 15.74% of the Company prior to conversion of the loan.

Further Notes on Reporting Under International Financial Reporting Standards

This report is the first to be prepared under IFRS as adopted by the EU. 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 Company'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 Company 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 Balance Sheet for Year Ended 31 December 2007

The transition from UK GAAP to IFRS as adopted by the EU does not affect the cash flows generated by the Company. 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 Company 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.

Notes to the Financial Statements (cont)

Reconciliation of Income Statement for the Year Ended 31 December 2007

There are no conversion effects arising from the transition from UK GAAP to IFRS as adopted by the EU.

Reconciliation of Balance Sheet for the Year Ended 31 December 2007

	Year ended 31-Dec-07 £	Year ended 31-Dec-07 £
Conversion effects comprise:		
IAS38 - reclassification of software from tangible to intangible assets		
Non-current assets		
Intangible assets		
UK GAAP	-	-
Effect of transition to IFRS	923	-
IFRS	923	-
Property, plant and equipment		
UK GAAP	356,285	-
Effect of transition to IFRS	-923	-
IFRS	355,362	-

There are no other conversion effects arising from the transition from UK GAAP to IFRS as adopted by the EU.

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