



**Annual Report  
& Accounts 2008**

**Excellence, Experience, Delivery  
Customised Biopharmaceutical Solutions**





Angel Biotechnology Holdings Plc  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
for the year ended 31 December 2008

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# 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. 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. 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.

Angel specialises in the provision of advanced biologics (biological products); these include autologous and allogeneic cell therapy products, stem cells, cellular vaccines, specific purified natural and recombinant proteins, virus and bacteriophage. The technologies involved are new and rapidly developing. Their use in advanced clinical therapies such as cancer, the treatment of antibiotic resistant bacteria and regenerative medicine is developing rapidly. Angel is one of very few companies specialising in the provision of manufacturing to support these products for clients worldwide.

There is a trend to outsource the manufacture of biologics in support of clinical development and to only consider in-house manufacturing at a later stage. Angel focuses on this early stage high value market, aiming to produce material for pre-clinical research and Phase I, II and III clinical trials. Angel has the capacity to produce drug substance and currently has active 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, Cambridge Antibody Technologies, PPL Therapeutics, Intercell AG, Johnson & Johnson, 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 re-inspection in September 2007. Since January 2008, the Company has also held a Manufacturer's and Importer's Licence (MIA) from the MHRA allowing the company to manufacture marketed 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 and acted upon 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 well positioned to capitalise on the future growth of the biopharmaceutical sector including advanced biologics. 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 63, 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 49, Chief Operating Officer and Business Development Director, trained as an immunologist and has over 28 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.



## G D Clark

Non-Executive Director

Gavin Clark, aged 51, has 25 years' experience in the life sciences sector holding senior positions in the industry before forming his own practice Procera 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 is a member of the Audit Committee and the Remuneration Committee.



## N J Smith

Non-Executive Director

Nick Smith, aged 49, is a Chartered Taxation Advisor and financial professional operating in the utilities and environmental sectors. He is the owner of Eurowater Limited which provides financial simulation modelling, project and corporate financing advice and specialist taxation advice to utility and environmental clients. Currently, Nick is the Finance Director of Almond Engineering Limited, a precision engineering business in Scotland, and was involved in a management buy-in of that Company in April 2008. He was also Company Secretary to the Ondeo Industrial Solutions UK Group, part of Suez Environnement until March 2009 and until March 2008 he was a Non-Executive Director of Ayr Environmental Services Limited and Caledonian Environmental Services plc, two PFI Project Companies working in the wastewater and sludge treatment sectors in Scotland, and is retained by those companies as a consultant. Previously, Nick was Finance Director of Northumbrian Lyonnaise International Limited (1996-2001), a subsidiary of Northumbrian Water. Before that he was Group Tax Manager for Northumbrian Water.

Mr Smith Chairs Angel's Audit Committee and is a member of the Remuneration Committee.

### Secretary

R J Jones

### Registered Office

50 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  
The Registry, 34 Beckenham Road  
Beckenham, Kent, BR3 2YU

### 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

# Chairman's & Chief Operating Officer's Report

Angel Biotechnology Holdings Plc ('Angel' or 'the Company') offers process development and cGMP manufacturing services from pre-clinical through to commercial scale for advanced biologics, including mammalian and microbial biologics, cell-based therapies and bacteriophage. Our customers are mainly biotechnology and pharmaceutical companies, worldwide, with innovative discovery and development programmes based upon use of biomolecules, cells and viruses to address diseases where there is no satisfactory treatment or where the current treatments fail to deal adequately with the diseases process. These include, for example, novel treatments for MRSA and Clostridium difficile, antibodies and virus-based treatments for solid cancer tumours, and stem cells potentially capable of addressing a myriad of disease conditions ranging from stroke to regeneration of muscle following a heart attack. In this connection, Angel has successfully manufactured autologous cell therapy and stem cell materials to cGMP for clinical studies in the UK.

The importance of this field of medicine is evidenced by the major policy changes introduced by President Obama in the USA and by commitments made by the current Labour government to provide funding and to sponsor initiatives in the biotechnology sector.

Angel positioned its business to service this growing market for high performance, high value-added medicines and the benefits of this positioning and strategy are now beginning to emerge. The Company is one of the most comprehensively licensed cGMP biomanufacturing operations in Europe and is developing a reputation for competence in handling most of the types of biological used in this innovative area of medicine. The Company has shown that it has the ability to deliver the regulatory and technically challenging services and products our customers require, on time and within budget.

Whilst Angel is well placed to take advantage of the growth in biologicals-based drugs, it has not been exempt from the general down-turn in the manufacturing sector. This has been compounded by the fact that even large and well financed biotechnology businesses have cut back their research programmes or delayed spending on those currently at the development stage. This lack of investment funding, particularly in the UK, has resulted in many companies deciding to conserve their cash resources until market conditions improve and share prices recover sufficiently to make replacement of those funds possible. The consequence, across the entire biomanufacturing sector, is that the time from a client's first approach to signing of a contract and initiation of a programme has increased from an average of six months to more typically twelve months over the past 18 - 24 months.

Shareholders will recall that Angel signed a deal with EPhaG AS (EPhaG) in April 2008. The deal brought in £1m of new funding designed to support the development of new resources to accommodate major manufacturing programmes anticipated to result in work for Angel on four products over the next three years. The Company has so far only secured one small piece of business from EPhaG, but is in discussions regarding further work although the timing of any contracts is uncertain. This resulted in manufacturing slots that could not be filled with alternative programmes at short notice. The revenue shortfall has in part been made up by securing repeat business from existing clients and new business in novel areas of biotherapeutics from new clients, a testament to the Company's reputation and track record for delivering a quality outcome on time and within budget combined with its comprehensively licensed status. This further vindicates the Company's decision in 2007 to re-structure the business and to reduce its cost base without significant loss of capabilities resulting in an operation that is well positioned to weather the current economic downturn.

We have strengthened our technical team and brought in the skills required to handle some challenging new business and to support our licensed status. Mr Gavin Clark and Mr Nick Smith were appointed to the Board. Gavin has many years of experience in business development and deal brokering in the biotech/pharma sector for both blue chip pharma companies and biotech spin-out companies. He has added substantially to our business development resource. Nick has a finance and taxation background and has brought additional financial expertise to the Board.

During 2008 Angel had to address a number of legacy issues arising from the administration of its former operating subsidiary, Angel Biotechnology Limited. The most significant of these was a union-sponsored claim from a small number of former employees of Angel relating to their dismissal. This was heard by an Industrial Tribunal which ruled in favour of the Company. The ruling complimented the executive team and the Board for their management of a particularly difficult situation.

Revenues in 2008 were £952,926, an increase of 8% when compared to the annualised 2007 revenues. The Company reported a pre-tax loss of £1,085,066 for the year.

Revenues in 2007 were £442,809 and arose following reorganisation of the business, announced on 27 June 2007. The Company reported a pre-tax loss of £1,208,182 in 2007.

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## Business Development

A focused and diligent effort by the business development team has been required to build the pipeline of prospective new business, something the current economic climate has made much more difficult. However, a steady flow of programme extension business from existing clients and the first signings from an increasingly healthy pipeline of new business helped our business during the year.

Angel has worked closely with the MHRA (UK medicines licensing authority) to support our existing clients and to consolidate our GMP license position and to add to that a Manufacturers and Importers Licence, enabling Angel to make finished product for sale in the market place. This means that following completion of the development process, clients do not need to transfer the manufacturing of their new product to another manufacturer to provide product to sell in the market place. In addition, Angel became licensed by the Human Tissue Authority to process tissue taken from patients to produce, for example, a stem cell treatment for that patient.

The work undertaken to develop Angel's technical capabilities and its license position has resulted in the Company winning exciting and technically challenging projects that have included the following:

- Angel completed the phase of work required to support the application submitted by ReNeuron Ltd for permission to undertake Phase 1 studies in stroke patients in the UK. Angel will provide the clinical batches of cells required to treat these patients.
- Two programmes for Materia Medica, a Russian pharmaceutical company, continued through 2008 (and into 2009) to produce therapeutic antibodies. These programmes are ground breaking and have relied extensively on Angel's experience of regulatory compliance and a good relationship with the MHRA. Many of the initial regulatory issues with these products have been successfully dealt with and we look forward to further contracts being agreed with this client in the future.
- Novolytics Ltd came to Angel as a new client with a novel approach to addressing the treatment of MRSA. Angel's previous experience in handling biologicals of this type has meant that the programme has progressed well.

A milestone payment was received from ACE Biosciences resulting from the continued clinical development by them, of a biologic vaccine product, based upon development work undertaken at Angel.

The prospects for 2009 and 2010 are looking much better as was evidenced by the recently announced signing of three major contracts with a value of £2.2m. The pipeline of prospective new business is the best that we have seen to date.

The current economic situation is generating a number of potential collaboration and acquisition opportunities where partially developed biopharmaceutical products cannot be progressed through lack of cash to sponsor the all important first step of process development and production of the GMP product needed for pre-clinical and clinical studies. Angel reviewed a number of these in H2 2008 and has an on-going initiative, spearheaded by Gavin Clark, Gordon Sherriff and myself to identify value adding opportunities for Angel.

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## Activities Funded by Grant Awards

Angel was 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. Work on this programme was completed in the year.

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

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## Outlook

The trading climate remains particularly difficult. Angel's lower cost base, 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 drive by governments to reduce the cost of drugs has accelerated the process of approving new lower cost generic drugs products. The role of biopharmaceuticals as the next generation of patented medicines, offering innovative approaches to the treatment of both routine and much more challenging diseases is clear. The Obama initiative in the USA encapsulates this concept and is being emulated in the UK and in some other parts of Europe where expertise in biotechnology exists.

The directors believe that Angel is well positioned to take advantage of the manufacturing opportunities that are emerging in this changing environment. Careful cost management, our licensed status and the ability to deliver even the most challenging advanced biologics programmes makes Angel an attractive manufacturing partner. The current order book together with the pipeline of potential new business underpins our confidence for the future.

**Dr Paul Harper**  
Chairman, Angel Biotechnology Holdings Plc

**Gordon Sherriff**  
Chief Operating Officer, 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 2008.

## Principal Activities

The principal activity continues to be the manufacture and supply of biologics – biological products whose active ingredients cannot be chemically synthesised. 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 January 2 2008 the Company allotted and issued 7,142,857 ordinary shares of 0.1p each at a price of 0.175p per share. On April 29 2008 the Company allotted and issued 224,372,000 ordinary shares of 0.1p each at a price of 0.275p per share. On May 28 2008 the Company allotted and issued 7,357,142 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 monitor 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 2008 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 £73,223 (2007: £42,034) which are part of the financing arrangements. The Company had no bank borrowings at 31 December 2008.

## 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 each financial year. Under that law the directors are required to prepare the financial statements of the company in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing the 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.

## Substantial Shareholdings

The Company has been informed that on 31 December 2008 the following shareholders held substantial holdings in the issued ordinary shares of the Company.

	No. of ordinary shares	Holding %
EPhaG AS	224,372,000	15.7
TD Waterhouse Nominees (Europe) Limited	166,761,488	11.6
Pershing Nominees Ltd	112,867,520	7.9
Barclayshare Nominees Limited	109,916,239	7.7
Dr Paul Harper	52,491,742	3.7

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 2008

<b>Dr P B Harper</b>	Executive Chairman
<b>G T Sherriff</b>	Chief Operating Officer and Business Development Director
<b>G D Clark</b>	Non-Executive Director
<b>N J Smith</b> (appointed 17 September 2008)	Non-Executive Director
<b>F J Fernandez</b> (resigned 7 January 2009)	Non-Executive Director

## Payment Policy

The Company supports initiatives aimed at ensuring good practice in this area. Trade payables of the Company were equivalent to 75 days purchases, based on the average daily amount invoiced by suppliers to the Company during the year.

## 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 June 2009 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 have 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 June 2009

# 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 7.

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.

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 Mr Nicholas Smith as Chairman and Mr Gavin Clark, the independent senior non-executive director. It is scheduled to meet twice a year. 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 Gavin Clark and Mr Nicholas Smith. It meets at least once a year. 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 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.

## 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 June 2009

# 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 Corporate Governance Guidelines for AIM companies issued by the Quoted Companies Alliance in February 2007. 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 is entitled to private healthcare benefit and 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 operates a defined contribution pension scheme for employees.

## 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 a 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 have entered into letters of engagement with the Company. Members may request copies of these letters by sending a stamped addressed envelope to the Company Secretary. The appointments can be terminated upon three month's notice being given by either party.

Nicholas Smith was appointed a director on 17 September 2008 and Javier Fernandez resigned his directorship on 7 January 2009.

## Directors' Remuneration

Details of directors' remuneration in the year ended 31 December 2008 is set out below:

	Salary £	Benefits £	Emoluments £	Pension £	Total £
<b>Executive</b>					
Dr P Harper	51,500	-	51,500	-	51,500
G Sherriff	89,673	7,412	97,085	10,465	107,550
<b>Non-Executive</b>					
J Fernandez	-	-	-	-	-
G Clark	12,000	-	12,000	-	12,000
N Smith	3,467	-	3,467	-	3,467
<b>Total</b>	<b>156,640</b>	<b>7,412</b>	<b>164,052</b>	<b>10,465</b>	<b>174,517</b>

By order of the Board

Dr Paul Harper - Chairman  
10 June 2009



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

We have audited the financial statements on pages 13 to 25.

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 Chief Operating Officer's Report and Remuneration Committee 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 IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2008 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  
11 June 2009

## Income Statement for the Year Ended 31 December 2008

	Notes	Year ended 31-Dec-08 £	Year ended 31-Dec-07 £
Revenue	2	952,926	442,809
Cost of sales		-559,324	-241,585
Gross profit		393,602	201,224
Net operating expenses		-1,402,760	-600,725
Restructuring costs	3	-48,390	-808,898
Operating loss	4	-1,057,548	-1,208,399
Finance income	5	7,022	1,666
Finance costs	6	-34,540	-1,449
Loss before taxation		-1,085,066	-1,208,182
UK corporation tax	8	-	-
Loss for the period attributable to equity shareholders		-1,085,066	-1,208,182
<b>Loss per share (pence)</b>			
Basic and diluted	9	0.08p	0.11p

## Balance Sheet as at 31 December 2008

	Notes	Year ended 31-Dec-08 £	Year ended 31-Dec-07 £
<b>Non-current assets</b>			
Intangible assets	11	661	923
Property, plant and equipment	12	405,854	355,362
		406,515	356,285
<b>Current assets</b>			
Trade and other receivables	14	199,392	126,687
Cash and cash equivalents		73,223	42,034
		272,615	168,721
Total assets		679,130	525,006
<b>Current liabilities</b>			
Trade and other payables	14	-855,588	-556,737
Finance leases	13	-92,063	-119,835
Loans	15	-415,977	-23,000
Deferred income		-173,419	-139,882
		-1,537,047	-839,454
<b>Non-current liabilities</b>			
Finance leases	13	-40,489	-126,234
Total liabilities		-1,577,536	-965,688
Net assets		-898,406	-440,682
<b>Capital and reserves</b>			
Share capital	16	1,432,945	1,194,073
Share premium account	17	3,568,618	3,180,148
Retained earnings	18	-5,899,969	-4,814,903
Equity shareholders' funds		-898,406	-440,682

The financial statements on pages 13 to 25 were approved by the Board of Directors and authorised for issue on 10 June 2009 and are signed on its behalf by:

Dr Paul Harper - Chairman

## Statement of Changes in Equity for the Year Ended 31 December 2008

	Share capital £	Share premium account £	Retained earnings £	Total shareholders' funds £
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
Share issue (net of costs)	238,872	388,470		627,342
Loss for the year			-1,085,066	-1,085,066
At 31 December 2008	1,432,945	3,568,618	-5,899,969	-898,406

## Cash Flow Statement for the Year Ended 31 December 2008

	Year ended 31-Dec-08 £	Year ended 31-Dec-07 £
<b>Cash flows from operating activities:</b>		
Operating loss	-1,057,548	-1,208,399
Amortisation and depreciation	40,899	17,348
Increase in receivables	-72,705	-126,687
Increase in payables	273,319	556,737
Increase in deferred income	33,537	139,882
Cash generated from operations	-782,498	-621,119
Interest paid	-9,008	-1,449
Net cash outflow from operating activities	-791,506	-622,568
<b>Cash flows from investing activities:</b>		
Interest received	7,022	1,666
Purchase of non-current assets, net of grants received	-91,129	-104,223
Net cash used by investing activities	-84,107	-102,557
Cash outflow before financing	-875,613	-725,125
<b>Cash flows from financing activities:</b>		
Receipt of loans	20,000	23,000
Repayment of loans	-10,000	-
Issue of convertible loan	382,977	-
Finance lease payments	-113,517	-23,341
Issue of ordinary share capital	627,342	767,500
Net cash from financing activities	906,802	767,159
Net increase in cash and cash equivalents	31,189	42,034
Cash and cash equivalents at beginning of year	42,034	-
Cash and cash equivalents at end of year	73,223	42,034

# Notes to the Financial Statements

## Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the EU (IFRS), IFRIC interpretations and the Companies Act 1985 applicable to Companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

## Accounting Policies

### Going Concern

The directors believe that the company is in its strongest position since listing with respect to both contracted and prospective business. Critically, the company has built repeat business with clients who quote Angel as their manufacturing partner. These companies have contracted their pipeline of business with Angel and have further projects to service in the future. Since restructuring, Angel's marketing strategy has been to focus on Advanced Biologics such as cell therapies and other live biologics. These new technologies are regarded as the next critical growth phase of the biotechnology market and are experiencing strong financial support, in spite of the current global financial situation. We have a pipeline of prospective business in advanced stages of negotiation which arise primarily from this strategy. Our pipeline of earlier stage prospects is also the healthiest that we have seen to date. If the pipeline is delivered in line with expectations, the company will be profitable and generate positive cash flows. The company has agreed plans with certain creditors to allow payment of amounts due from forecast cash resources.

EPhaG AS has agreed not to call the convertible loan for redemption before 10 June 2010.

### 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 return 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.

## Notes to the Financial Statements (cont)

### Pension Costs

The contributions payable to the scheme in respect of employee service rendered during each year are recognised as an expense in that year. Contributions not paid at the 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 income statement 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 income statement 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 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.

IAS 1 (amended) Presentation of Financial Statements (effective for periods commencing on or after 1 January 2009).

IAS 1 introduces a Statement of Comprehensive Income for all non-owner changes in equity. In addition Balance Sheet and Cash Flow Statement will be renamed the Statement of Financial Position and Statement of Cash Flows. The directors will reflect the changes in the appropriate financial statements.

IFRS 2 (amended) Share based payments (effective for periods commencing on or after 1 January 2009)

The changes to IFRS 2 clarifies the treatment of non-vesting conditions and the definitions of 'vest' and 'vesting conditions'. The Company will review the impact for the relevant accounting period.

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 IAS19, will affect employers that sponsor defined benefit schemes. At December 2008 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 were 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 synthesised.

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:

Revenue	2008 £	2007 £
United Kingdom	720,180	148,016
Rest of Europe	188,635	133,384
USA and Canada	5,055	161,409
Rest of the World	39,056	-
	<b>952,926</b>	<b>442,809</b>

### 3. Restructuring Costs

	2008 £	2007 £
Costs arising from administration of subsidiary	48,390	238,898
Write-off of inter-company debtor	-	570,000
	<b>48,390</b>	<b>808,898</b>

### 4. Operating Loss

	2008 £	2007 £
<b>Operating loss is stated after charging:</b>		
Depreciation charge for the year		
- Owned assets	13,696	4,876
- Leased assets	26,941	12,348
Amortisation charge for the year	262	124
Staff costs, refer to note 7	767,473	311,602
Audit services, refer to below	20,750	40,750
<b>Rentals under operating leases:</b>		
Land and buildings	146,057	64,781
<b>Amounts payable for both audit and non-audit services</b>		
Audit services - Statutory audit		
	Baker Tilly UK Audit LLP	40,750
	20,750	
Tax services - Compliance services		
	Baker Tilly Tax and Advisory Services LLP	4,025
	-	
	Baker Tilly Tax and Accounting Ltd	-
	2,575	
	<b>23,325</b>	<b>44,775</b>

## Notes to the Financial Statements (cont)

### 5. Finance Income

	2008 £	2007 £
Bank interest receivable	7,022	1,666

### 6. Finance Costs

	2008 £	2007 £
Finance lease contracts	9,008	1,449
Interest on convertible loan	25,532	-
	<b>34,540</b>	1,449

### 7. Staff Costs

	2008 £	2007 £
<b>Staff costs during the period (including directors)</b>		
Wages and salaries	660,149	264,279
Social security costs	71,701	27,993
Pension costs	35,623	19,330
	<b>767,473</b>	311,602
<b>Average number of employees</b>		
Management, administration and finance	9	6
Research and development and production	8	6
	<b>17</b>	12

Details of the remuneration of directors are included in the Remuneration Committee Report on page 11.

### 8. Taxation

#### (a) Analysis of charge in the year

	2008 £	2007 £
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:

	2008 £	2007 £
Loss on ordinary activities before taxation	-1,085,066	-1,208,182
Tax on loss on ordinary activities at standard corporation tax rate of 28.5% (2007: 19%)	-309,214	-229,555
Expenses not deductible for tax purposes	4,275	160,054
Income not taxable for tax purposes	-	-374,931
Capital allowances in excess of depreciation	-13,842	-4,561
Unrelieved tax losses and other deductions arising in the period	318,781	448,993
Total current tax (note 8(a))	-	-

At 31 December 2008 tax losses of approximately £3,575,779 (2007: £2,451,206) remained available to carry forward against future taxable trading profits.

## Notes to the Financial Statements (cont)

### 9. Earnings per Share

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

	2008 £	2007 £
Loss on ordinary activities after tax	-1,085,066	-1,208,182
	No.	No.
<b>Weighted average no of shares:</b>		
For basic and diluted loss per share	1,356,273,815	1,088,867,383
Basic and diluted loss per share	0.08p	0.11p

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

### 10. Financial Instruments Recognised in the Balance Sheet

Held for trading	2008 £	2007 £
<b>Current financial assets</b>		
Trade and other receivables	153,022	126,687
Cash and cash equivalents	73,223	42,034
	226,245	168,721
<b>Current financial liabilities</b>		
Trade and other payables	855,588	556,737
Finance leases	92,063	119,835
Loans	415,977	23,000
Deferred income	173,419	139,882
	1,537,047	839,454
<b>Non-current financial liabilities</b>		
Finance leases	40,489	126,234

### 11. Intangible Fixed Assets

	Software £
<b>Cost</b>	
At 1 January 2008	1,047
Additions	-
At 31 December 2008	1,047
<b>Amortisation</b>	
At 1 January 2008	124
Charge in year	262
At 31 December 2008	386
<b>Net book value</b>	
31 December 2008	661
31 December 2007	923
	Software £
<b>Cost</b>	
At 1 January 2007	-
Additions	1,047
At 31 December 2007	1,047
<b>Amortisation</b>	
At 1 January 2007	-
Charge in year	124
At 31 December 2007	124
<b>Net book value</b>	
31 December 2007	923
31 December 2006	-

## Notes to the Financial Statements (cont)

### 12. Property Plant and Equipment

	Laboratory equipment £	Fixtures and computers £	Total £
<b>Cost</b>			
At 1 January 2008	370,383	2,203	372,586
Additions	86,157	4,972	91,129
At 31 December 2008	<b>456,540</b>	<b>7,175</b>	<b>463,715</b>
<b>Depreciation</b>			
At 1 January 2008	16,976	248	17,224
Charge in the year	39,822	815	40,637
At 31 December 2008	<b>56,798</b>	<b>1,063</b>	<b>57,861</b>
<b>Net book value</b>			
31 December 2008	<b>399,742</b>	<b>6,112</b>	<b>405,854</b>
31 December 2007	<b>353,407</b>	<b>1,955</b>	<b>355,362</b>

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

The net book value of laboratory equipment included £230,121 (2007: £257,062) in respect of assets held under finance lease contracts. The depreciation charge in respect of these assets was £26,941 (2007: £12,348).

## Notes to the Financial Statements (cont)

### 13. Obligations Under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2008 £	2007 £	2008 £	2007 £
Amounts payable under finance leases				
Within one year	<b>100,298</b>	129,820	<b>92,063</b>	119,835
In the second to fifth years inclusive	<b>44,515</b>	138,025	<b>40,489</b>	126,234
	<b>144,813</b>	267,845	<b>132,552</b>	246,069
Less future finance charges	<b>12,261</b>	21,776	<b>N/A</b>	N/A
Present value of lease obligations	<b>132,552</b>	246,069	<b>132,552</b>	246,069
Amount due for settlement within 12 months			<b>92,063</b>	119,835
Amount due for settlement after 12 months			<b>40,489</b>	126,234

For the year ended 31 December 2008 the average effective borrowing rate was 7% per annum. The average remaining lease term is 1 year. Leases are secured on assets to which they relate.

### 14. Other Financial Assets and Liabilities

Trade and other receivables are as follows:

	2008 £	2007 £
Trade receivables	<b>59,356</b>	43,958
Prepayments	<b>46,370</b>	54,994
Other receivables	<b>93,666</b>	27,735
	<b>199,392</b>	126,687

The average period of credit taken on sales is 24 days. The directors consider the carrying amount of trade and other receivables approximates to their fair value. An allowance has been made for estimated irrecoverable amounts of £8,679 (2007: £Nil).

Trade and other payables are as follows:

Amounts payable relating to the purchase of goods and services	<b>379,930</b>	200,596
Other payables	<b>345,295</b>	146,758
Accruals	<b>130,363</b>	209,383
	<b>855,588</b>	556,737

Trade payables of the Company were equivalent to 75 days of purchases. The directors consider the carrying amount of trade payables approximates to their fair value.

## Notes to the Financial Statements (cont)

### 15. Loans

	2008 £	2007 £
Convertible loan	382,977	-
Other loans	33,000	23,000
Other loans	415,977	23,000

On 29 April 2008, EPhaG AS, an Estonian pharmaceutical company, agreed to make a £1m investment in the Company. Of this sum, £617,023 is for a placement of ordinary shares at 0.275p per share (see Note 16) 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.

During the year the Company received a loan of £20,000 (2007: £23,000) from Dr. P B Harper, a director. The amount due to Dr. Harper at 31 December 2008 was £33,000 (2007: £23,000). There is no interest payable on this loan and there is no fixed repayment date.

### 16. Share Capital

Ordinary shares of 0.1p each	2008 Number	2007 Number
<b>Authorised:</b>	<b>5,000,000,000</b>	5,000,000,000
<b>Issued and fully paid:</b>	<b>£</b>	<b>£</b>
As at 1 January	1,194,073	839,787
Issue of share capital	238,872	354,286
As at 31 December	1,432,945	1,194,073

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

On 2 January 2008, the Company allotted and issued 7,142,857 ordinary shares of 0.1p each, following the exercise of warrants at a price of 0.175p per share.

On 29 April 2008, the company allotted and issued 224,372,000 ordinary shares of 0.1p each, at a price of 0.275p per share.

On 28 May 2008, the company allotted and issued 7,357,142 ordinary shares of 0.1p each, following the exercise of warrants at a price of 0.175p per share.

As at 31 December 2007, the Company had outstanding warrants for 28,571,425 ordinary shares of 0.1p each with an exercise price of 0.175p per share. During the year warrants for 14,499,999 ordinary shares had been exercised. As at 31 December 2008, warrants for 14,071,426 ordinary shares remain outstanding.

## Notes to the Financial Statements (cont)

### 17. Capital Reserves

	Share premium £
Balance at 1 January 2007	2,766,934
Issue of shares	445,714
Share issue costs	-32,500
Balance at 31 December 2007	3,180,148
Issue of shares (note 16)	403,526
Share issue costs	-15,056
Balance at 31 December 2008	3,568,618

### 18. Retained Earnings

	£
Balance at 1 January 2007	-3,606,721
Loss for the year	-1,208,182
Balance at 31 December 2007	-4,814,903
Loss for the year	-1,085,066
Balance at 31 December 2008	-5,899,969

### 19. Deferred Taxation

	2008 £	2007 £
Accelerated capital allowances	16,864	7,202
Tax losses	-16,864	-7,202

### 20. Operating Lease Arrangements

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

	2008 £	2007 £
<b>Amounts due:</b>		
Within one year	61,057	29,946
Between one and five years	99,167	184,167
	160,224	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 2008 and 31 December 2007 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 2008	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 2008 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 cash deposits of £73,223 (2007: £42,034) which are part of the financing arrangements of the Company. The Company had no bank borrowings at the 31st December 2008.

#### 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.

### 24. Non Cash Transactions

During the year finance lease obligations for plant and equipment of £Nil (2007: £269,410) 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 11.

## Notes to the Financial Statements (cont)

### 26. Retirement Benefits

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company by the scheme manager.

The total cost charged to the income statement of £35,623 (2007: £19,330) represents contributions payable to the scheme at rates specified in the rules of the scheme. As at 31 December 2008, contributions of £4,563 (2007: £Nil) due in respect of the current reporting period remain payable.

### 27. Post Balance Sheet Event

There have been no post balance sheet events.

# Notice of Annual General Meeting

Notice is hereby given that the 2009 annual general meeting (AGM) of Angel Biotechnology Holdings Plc (the Company) will be held on 14 July 2009 at 10.00am at the offices of Bircham Dyson Bell, 50 Broadway, London SW1H 0BL for the following purposes

## Ordinary Business

To consider and, if thought fit, pass the following ordinary resolutions:

1. To receive and adopt the Directors' Report and financial statements for the year ended 31 December 2008.
2. To reappoint Mr Nicholas Smith as a director of the Company, who was appointed director by the Board on 17 September 2008.
3. To reappoint Mr Gavin Clark as a director of the Company, who retires by rotation in accordance with Articles 76 and 77 of the Company's Articles of Association.
4. To confirm the appointment of Baker Tilly UK Audit LLP as auditors of the Company to hold office until the conclusion of the next AGM at which accounts are laid before the Company and to authorise the directors to fix their remuneration.

## Special Business

To consider and, if thought fit, pass the resolutions set out in paragraphs 5 and 6:

### Ordinary resolution - power to allot securities

5. That the directors be and they are generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 (the Act) to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount equal to the authorised but unissued share capital of the Company (including in respect of the allotment of any ordinary shares in connection with any options to subscribe for ordinary shares granted by the Company) provided that this authority is for a period expiring at the Company's next AGM but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all earlier authorities, to the extent unused.

### Special resolution - disapplication of pre-emption rights

6. That subject to the passing of the previous resolution the directors be and they are empowered in accordance with section 95 of the Act to allot equity securities (as defined in section 94 of the Act) wholly for cash pursuant to the authority conferred by the previous resolution as if section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

(b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £750,000 and shall expire on the conclusion of the next AGM of the Company after the passing of this resolution, save that the Company may before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words 'pursuant to the authority conferred by the previous resolution' were omitted.

## Form of Proxy

I/We (block capital) .....

Of (block capital) .....

Being a member/members of Angel Biotechnology Holdings Plc hereby appoint the chairman of the meeting or (see note 1 and 2)

(Please indicate here with an 'X' if this appointment is one of multiple appointments being made.)  
as my/our proxy to attend and on a poll to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 14 July 2009 at 10.00am and at any adjournment thereof. I/We direct, by inserting a cross or other mark in the appropriate box below, how my/our votes are to be cast on each of the resolutions to be proposed at the meeting as indicated below. If no indication is given, the proxy will exercise his/her discretion as to how he/she votes and as to whether or not he/she abstains from voting. Please complete, sign and date this form where indicated below (see notes below).

ORDINARY RESOLUTIONS	For	Against	Withheld
1. To receive and adopt the Directors' Report and financial statements for the year ended 31 December 2008.			
2. To reappoint Nicholas Smith as a director of the Company.			
3. To reappoint Gavin Clark as a director of the Company.			
4. To confirm the appointment of Baker Tilly UK Audit LLP as auditors of the Company to hold office until the conclusion of the next AGM at which accounts are laid before the Company and to authorise the directors to fix their remuneration.			
5. That the directors be and they are generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 (the Act) to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of equal to the authorised but unissued share capital of the Company provided that this authority is for a period expiring at the Company's next AGM but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all earlier authorities, to the extent unused.			
<b>SPECIAL RESOLUTION</b>			
6. That subject to the passing of the previous resolution the directors be and they are empowered in accordance with section 95 of the Act to allot equity securities (as defined in section 94 of the Act) wholly for cash pursuant to the authority conferred by the previous resolution as if section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:			
(a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and			
(b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £750,000 and shall expire on the conclusion of the next AGM of the Company after the passing of this resolution, save that the Company may before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.			

Signature(s).....

Date ..... 2009

### NOTES

- As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
- Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy is one of multiple instructions being given.
- To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant vote 'Withheld' box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- Any alteration to the form of proxy should be initialled.
- All forms of proxy should be signed by the appointer or his attorney duly authorised in writing or, if the appointer is a Company, either under seal or under hand of a duly authorised officer or attorney of the Company and returned in the same envelope.
- In the case of joint holders the signature of any one holder is sufficient. If more than one joint holder of any share is present at the meeting personally or by proxy, that one present whose name stands first on the register of members in respect of that share is alone entitled to vote in respect of that share.
- To be valid this form of proxy and any power of attorney or other authority under which it is signed or a notarially certified copy of such power of authority must be lodged at the offices of the Company's Registrars, Capita Registrars Limited, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time of the meeting.
- CREST members should use the CREST electronic proxy appointment service and refer to Note 10 of the Notice of Annual General Meeting in relation to the submission of a proxy appointment via CREST.
- If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- For details of how to change your proxy instructions or revoke your proxy appointment see the notes to the notice of meeting.
- You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

SECOND FOLD

BUSINESS REPLY SERVICE  
License No. MB 122



Capita Registrars Limited  
Proxies Department  
PO Box 25  
BECKENHAM  
Kent  
BR3 4BR

FIRST FOLD

THIRD FOLD AND TUCK IN

## Notice of Annual General Meeting (cont)

### Notes

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:

- 6.00pm on 12 July 2009; or,
- if this meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in note 10) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.

5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company.

6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

7. In the case of joint holders the signature of any one holder is sufficient. If more than one joint holder of any share is present at the meeting personally or by proxy, that one present whose name stands first on the register of members in respect of that share is alone entitled to vote in respect of that share.

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see below) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company at its registered office.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registered office. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Company no later than 12 July 2009 at 10.00am.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

10. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by Capita (ID RA10) not later than 48 hours before the time fixed for the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. In order to be valid, any form of proxy, power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's registrars, Capita Registrars Limited, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time of the meeting.
12. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the AGM so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.
13. You may not use any electronic address provided either in this notice of Annual General Meeting; or any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

Pentlands Science Park, Penicuik, Edinburgh, EH26 0PZ  
Tel: +44 (0)131 445 6077 Fax: +44 (0)131 445 6071  
Email: [bus.dev@angelbio.com](mailto:bus.dev@angelbio.com) [www.angelbio.com](http://www.angelbio.com)

