

Aptuit (Edinburgh) Group

Report and Financial Statements

30 September 2008

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COMPANIES HOUSE

Aptuit (Edinburgh) Limited

Registered No: 05277708

Directors

A Templeton	(Resigned 19 December 2008)
J Fikre	
J G Hepburn	(Appointed 19 December 2008)
T Tyson	(Appointed 19 December 2008)
T Amat	(Appointed 19 December 2008)

Secretary

A Templeton	(Resigned 19 December 2008)
G Hepburn	(Appointed 19 December 2008)

Auditors

Ernst & Young LLP
10 George Street
Edinburgh
EH2 2DZ

Bankers

JP Morgan Chase Bank
125 London Wall
London
EC2Y 5AJ

Solicitors

DLA Piper Rudnick Gray Cary UK LLP
Princes Exchange
Princes Square
Leeds
LS1 4BY

Registered Office

Unit 107
Deeside Industrial Park
Deeside
Flintshire
CH5 2UA

Directors' report

The directors present their report and financial statements for the year ended 30 September 2008.

Results and dividends

The loss for the year for the group, after taxation, amounted to £15,441,329 (2007 Profit - £4,779,480). The company did not pay a dividend in the year (2007 - £nil).

Principal activity, review of the business and future developments

The Group's principal activities during the year were the management of Pre-Clinical Activities, Pharmaceutical Development and Sterile Manufacturing, Active Pharmaceutical Development, Contract Packaging, Distribution of clinical trial drug materials and related activities within the pharmaceutical industry.

On 30 November 2007, the company received a capital contribution of £30M from their parent company, Aptuit Inc. The funds were used by Aptuit (Edinburgh) Ltd to acquire the Chemical and Pharmaceutical Development Business of Evotec AG, consisting of the pharmaceutical development assets of Evotec UK Ltd and the share capital of Evotec (Scotland) Ltd (now called Aptuit (Glasgow) Ltd).

The directors are satisfied with the Group's performance, increasing turnover through growth and acquisition by £7,623,544 in the year. The Group made a loss for the year of £15,441,329 after charging £12,015,850 of impairment on intangibles and investments in relation to the Evotec acquisitions. Further to the successful integration of the new businesses, the directors aim to continue to grow the business and return the company to profitability.

Financial risk management objectives and policies

The main risks arising from the company's assets and liabilities are liquidity and foreign currency risks. The company has clear policies for managing each of these risks as summarised below.

Liquidity Risk

The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. Investment is carefully controlled, with authorisation limits operating at different levels up to group board level and with hurdle rates of return and cash payback periods applied as part of the investment appraisal process.

The company participates in the overall world-wide group's funding strategy managed at corporate treasury level. The company participates in a UK cash pool. The objective is to maintain a balance between continuity of funding and flexibility.

Foreign Currency Risk

The company buys and sells goods and services denominated in currencies other than sterling. As a result of the value of the company's non-sterling revenues, purchases, financial assets and liabilities, cash flows can be affected significantly by movements in exchange rates.

For very large currency transactions the company seeks to mitigate its exposure to currency movements by working with the Group's Treasury department who would enter into forward currency contracts, denominated in the same currency as the operating funds flow, to match the exposures anticipated in the business.

Employees

The company's policy is to consult and discuss with employees matters likely to affect employee's interests. Information on matters of concern to employees is given through employee quarterly meetings and monthly team briefings and involves all levels of staff. These meetings seek to achieve a common awareness of the financial and economic factors affecting the company's performance.

Directors' report

It is the company's policy to recruit disabled workers for those vacancies that they are able to fill and all necessary assistance with initial training courses given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor is unaware. Having made enquiries of fellow directors and the group auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Directors and their interests

The directors who held office during the year were as follows:

A Templeton (Resigned 19 December 2008)
J Fikre

None of the directors in office during the year held any beneficial interests in the share capital of the company during the year.

Auditors

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

By order of the board



J G Hepburn
Director

8 April 2009

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies 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.

Independent Auditor's Report to the Members of Aptuit (Edinburgh) Limited

We have audited the group and parent company financial statements for the year ended 30 September 2008 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable "United Kingdom" law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 are 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with 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 judgments 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.

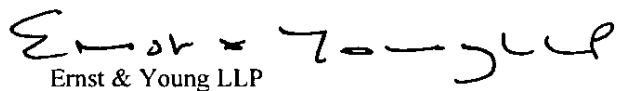
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditor's Report to the Members of Aptuit (Edinburgh) Limited

Opinion

In our opinion:

- the financial statements give a true and fair view , in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 30 September 2008 and of its 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.


Ernst & Young LLP
Registered auditor
Edinburgh

8 April 2009

Group Profit and Loss Account

For the year ended 30 September 2008

		<i>Group</i>	
	<i>Notes</i>	<i>2008</i> <i>£</i>	<i>2007</i> <i>£</i>
Turnover			
Ongoing		53,875,203	50,079,175
Acquisition		3,827,516	-
	2	<u>57,702,719</u>	<u>50,079,175</u>
Cost of sales		(44,817,267)	(30,615,922)
Gross profit		<u>12,885,452</u>	<u>19,463,253</u>
Operating expenses	3	(13,538,488)	(14,820,879)
Impairment of intangibles and investments	11	(12,015,850)	-
Operating (loss)/profit			
Ongoing		(12,207,361)	4,642,374
Acquisition		(461,525)	-
		<u>(12,668,886)</u>	<u>4,642,374</u>
Net interest payable	7	(4,286,175)	(4,108,062)
(Loss)/profit on ordinary activities before taxation		<u>(16,955,061)</u>	<u>534,312</u>
Taxation	8	1,513,732	4,245,168
Retained (loss)/profit for the financial year		<u>(15,441,329)</u>	<u>4,779,480</u>

Group Statement of total recognised gains and losses

There are no recognised gains and losses other than the loss for the year and all operations are continuing.

The notes on pages 10 to 27 form part of these financial statements.

There is no difference between the historical cost profit and loss and the result shown above.

Group Balance Sheet

For the year ended 30 September 2008

	<i>Notes</i>	<i>Group</i>		<i>Company</i>	
		<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
		<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Fixed assets					
Tangible assets	9	34,365,498	21,891,818	32,120,819	21,891,818
Intangible assets	10	1,089,109	-	-	-
Investment	11	1	1	3,894,257	1
		<u>35,454,608</u>	<u>21,891,819</u>	<u>36,015,076</u>	<u>21,891,819</u>
Current assets					
Cash at bank and in hand		548,020	-	523,738	-
Stock	12	1,996,122	164,947	1,747,719	164,947
Debtors due within one year	13	66,169,451	47,713,545	64,400,542	47,713,545
		<u>68,713,593</u>	<u>47,878,492</u>	<u>66,671,999</u>	<u>47,878,492</u>
Creditors: amounts falling due within one year	14	(63,968,417)	(44,714,371)	(62,816,288)	(44,714,371)
Net current assets		<u>4,745,176</u>	<u>3,164,121</u>	<u>3,855,711</u>	<u>3,164,121</u>
Total assets less current liabilities		<u>40,199,784</u>	<u>25,055,940</u>	<u>39,870,787</u>	<u>25,055,940</u>
Creditors: amounts falling due after more than one year	15	(30,861,881)	(30,363,230)	(30,363,230)	(30,363,230)
Net Assets/(Liabilities)		<u>9,337,903</u>	<u>(5,307,290)</u>	<u>9,507,557</u>	<u>(5,307,290)</u>
Capital and reserves					
Called up share capital	18	100	100	100	100
Capital contribution reserve	19	38,508,225	8,508,225	38,508,225	8,508,225
Profit and loss account	19	(29,170,422)	(13,815,615)	(29,000,768)	(13,815,615)
Equity shareholders' funds	19	<u>9,337,903</u>	<u>(5,307,290)</u>	<u>9,507,557</u>	<u>(5,307,290)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8th April 2009.



J G Hepburn
Director

The notes on pages 10 to 27 form part of these financial statements.

Group Statement of Cash Flows

at 30 September 2008

		2008	2007
	Notes	£	£
Net Cash inflow/(outflow) from Operating Activities	24 (a)	<u>11,243,830</u>	<u>(4,048,986)</u>
Returns on Investment and Servicing of Finance			
Interest Received		25,695	18,113
Interest Paid		(4,311,870)	(4,126,175)
	7	<u>(4,286,175)</u>	<u>(4,108,062)</u>
Capital Expenditure & Financial Investment			
Payments to Acquire Tangible Fixed Assets		(2,205,805)	(1,626,977)
Acquisition of subsidiary and business, net of cash acquired		(29,158,950)	-
Receipt of Government Grants		56,525	-
		<u>(31,308,230)</u>	<u>(1,626,977)</u>
Financing			
Increase in Capital Contribution	19	30,000,000	-
(Decrease)/Increase in Inter Company Financing		(6,473,286)	2,787,076
Increase in Bank Loans		2,455,141	4,989,364
Repayment of capital element of finance leases		(63,399)	-
		<u>25,918,456</u>	<u>7,776,440</u>
Increase/(Decrease) in Cash		<u>1,567,881</u>	<u>(2,007,585)</u>
Reconciliation of Net Cash flow to Movement in Net Debt			
Increase/ (Decrease) in Cash for period		1,567,881	(2,007,585)
Cash Inflow from increase in loans		(2,455,141)	(4,989,364)
Repayment of Capital Element of Finance Leases		63,399	-
Loans and Finance Leases Acquired with Subsidiary		(247,271)	-
Movement in Debt		<u>(1,071,132)</u>	<u>(6,996,949)</u>
Net Debt at 1 October 2007		<u>(7,509,225)</u>	<u>(512,276)</u>
Net Debt at 30 September 2008	24(b)	<u>(8,580,357)</u>	<u>(7,509,225)</u>

Notes to the Financial Statements

at 30 September 2008

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

The accounts have been prepared on a going concern basis because Aptuit Inc, the immediate parent company, has confirmed its intention to provide sufficient funds or other financial support to the company to enable it to continue trading and to meet its day to day commitments, properly incurred, for at least a period of 12 months from the date of approval of these financial statements.

Tangible fixed assets

The assets acquired by the company are stated at cost less accumulated depreciation and accumulated impairment losses.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of the intangible assets acquired in business combinations is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year the expenditure is incurred.

Intangible assets currently acquired by the group are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period for current Aptuit Group intangible assets is 10 years.

The amortisation expense on intangible assets is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Basis of Consolidation

The group financial statements consolidate the financial statements of Aptuit Edinburgh Group and the entities it controls (its subsidiaries) drawn up to the 30 September each year.

Subsidiaries are consolidated from the date of their acquisitions, being the date on which the group obtains control. Control comprises the power to govern the financial and operating policies of the investor so as to obtain benefit from its activities and is achieved through voting rights and agreements.

The Financial Statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intergroup balances and transactions, including unrealised profits, are then eliminated.

Government Grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on a submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released as by income by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Notes to the Financial Statements

at 30 September 2008

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life. It is calculated on a straight line basis over the following useful lives:

Buildings	- 40 years
Plant and machinery	- 7-10 years
Fixtures, fittings and equipment	- 5-10 years
Computer equipment	- 3-5 years

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

Fixed asset investments

Fixed asset investments, including those in subsidiary and associated undertakings, are included in the balance sheet at cost of investment, unless the directors believe the investment has suffered a permanent diminution in value.

Stocks

Stocks have been valued at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Work in progress

The basis of valuation is direct cost uplifted for attributable overheads. Provision is made for losses on individual contracts.

Amounts payable/recoverable on long term contracts

Customer billings are established by contractual provisions, including predetermined payment schedules, the achievement of contractual milestones or submission of appropriate billing detail. Unbilled services arise when services have been rendered and revenue has been recognised but customers have not been billed. Unbilled accounts receivable represent revenues on contracts to be billed, in subsequent periods, as per the terms of the related contracts. Conversely, unearned revenue represents amounts billed in excess of revenue recognised

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax.

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

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

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Notes to the Financial Statements

at 30 September 2008

Leasing and hire purchase agreements

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

The rental costs of all operating leases are charged to the profit and loss account as incurred.

Pensions

Contributions to defined contribution pension schemes are charged to the profit and loss account in the period in which they become payable.

Share-based payments

Employees (including senior executives) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and are recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions), if applicable.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet is recognised in the income statement, with a corresponding entry in equity

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as lapsed on the date of cancellation, and any cost previously recognised in the income statement for the award is written back.

Notes to the Financial Statements

at 30 September 2008

Classification of shares as debt or equity

When shares are issued, any component that creates a financial liability of the company or group is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allotted to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not remeasured in subsequent years.

Transaction costs are apportioned between liability and equity components of the shares based on the allocation of proceeds to liability and equity components when the instruments are first recognised.

Related party transactions

In accordance with the exemption permitted by FRS 8, Related Party Transactions, transactions with fellow wholly owned group companies have not been disclosed.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts receivable for goods and services supplied during the period. A majority of the Group's revenues have been earned under contracts which range in duration from a few months to several years, depending on the service rendered. Service contracts generally take the form of fee-for-service or fixed-price agreements. In the case of fee-for-service contracts, revenue is recognised as contractual milestones are achieved based on output measures recognising our effort as work is incurred.

Turnover is wholly attributable to the principal activity of the company.

	2008	2007
	£	£
<i>Analysis by geographical market:</i>		
United Kingdom	11,748,090	12,553,476
Rest of Europe	27,344,217	26,864,275
Rest of World	18,610,412	10,661,424
	<u>57,702,719</u>	<u>50,079,175</u>

3. Operating Expenses

	2008	2007
	£	£
Net operating expenses		
Marketing and distribution	11,156	332,268
Administrative expenses	13,322,380	14,488,611
Intangible amortisation	204,952	-
	<u>13,538,488</u>	<u>14,820,879</u>

Notes to the Financial Statements

at 30 September 2008

4. Operating profit

	2008	2007
	£	£
<i>This is stated after charging/ (crediting):</i>		
Depreciation (note 9)	3,559,720	1,228,487
Operating lease rentals - plant and machinery	78,540	110,785
Operating lease rentals - other	1,033,766	224,444
Auditors' remuneration - audit services	229,247	136,704
Professional remuneration - non audit services	51,906	70,284
Government grant	(63,475)	-
Foreign Exchange (Gain)/Loss	(1,874,161)	350,361

5. Directors' emoluments

	2008	2007
	£	£
Emoluments	107,076	99,346
Company contributions paid to defined contribution pension schemes	7,275	6,458

The Directors emoluments for one Director were paid by Aptuit Inc.

	2008	2007
	No.	No.
Members of defined contribution pension schemes	1	1

The number of directors to whom share options were granted over Aptuit Inc shares was as follows:

	2008	2007
	No.	No.
Options over ordinary \$1.50 shares at US\$1.00	2	2

Notes to the Financial Statements

at 30 September 2008

6. Staff costs

	2008	2007
	£	£
Wages and salaries	21,419,934	17,732,684
Social security costs	2,155,531	1,818,163
Other pension costs	1,140,924	964,156
	<u>24,716,389</u>	<u>20,515,003</u>

“Other Pension Costs” relate to amounts payable to the company defined contribution pension scheme.

The average monthly number of employees during the year was made up as follows:

	2008	2007
	No.	No.
Directors	1	1
Management and administration	317	227
Production	536	479
	<u>854</u>	<u>707</u>

7. Net interest payable

	2008	2007
	£	£
Interest receivable on bank deposits	25,695	18,113
Interest payable on bank loans and overdrafts	(567,950)	(175,061)
Interest payable on loans from group companies	(3,736,678)	(3,951,114)
Interest payable on finance leases	(7,242)	-
Interest payable	<u>(4,311,870)</u>	<u>(4,126,175)</u>
Net interest payable	<u>(4,286,175)</u>	<u>(4,108,062)</u>

Notes to the Financial Statements

at 30 September 2008

8. Tax

(a) Tax on profit/(loss) on ordinary activities:

	2008	2007
	£	£
UK Corporation tax:		
Corporation tax on (loss) for the period	-	-
Group Relief	(1,400,965)	-
Total Current Tax	(1,400,965)	-
Deferred Tax:		
Original and Reversing of Timing Differences	(112,767)	(4,245,168)
	<u>(1,513,732)</u>	<u>(4,245,168)</u>

(b) Factors affecting current tax charges

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 29% (2007 - 30%). The differences are reconciled below:

	2008	2007
	£	£
(Loss)/profit on ordinary activities	(17,046,401)	534,312
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 29% (2007: 30%)	<u>(4,943,456)</u>	<u>160,294</u>
Disallowable expenses and non-taxable income	3,616,363	727,822
Depreciation in excess of capital allowances	(1,145)	(888,116)
Other Timing Differences	(70,535)	-
Movements In Respect of Asset Revaluation becoming non qualifying	(2,192)	-
	<u>(1,400,965)</u>	<u>-</u>

(c) Factors affecting future tax charge

As at 30 September 2008 the company has up to £23million of tax losses available to carry forward. The ability of the company to utilise these losses is dependent upon Aptuit (Edinburgh) Ltd making sufficient taxable profits against which the tax losses could be offset.

Notes to the Financial Statements

at 30 September 2008

9. Tangible fixed assets

Group	Freehold Land & Buildings £	Plant & machinery £	Fixtures & fittings £	Assets in the course of Construction £	Total £
<i>Cost:</i>					
At 1 October 2007	21,815,311	12,524,357	898,951	467,643	35,706,262
Acquisition of subsidiary undertaking	37,715	2,466,935	98,738	19,338	2,622,726
Additions	2,636,243	11,002,831	238,343	(466,743)	13,410,674
Transfers	18,453	7,942	(36,757)	10,362	-
At 30 September 2008	24,507,722	26,002,065	1,199,275	30,600	51,739,662
<i>Depreciation:</i>					
At 1 October 2007	3,588,962	9,445,384	780,098	-	13,814,444
Charge for Period	1,114,326	2,233,767	211,627	-	3,559,720
At 30 September 2008	4,703,288	11,679,151	991,725	-	17,374,164
<i>Net book value:</i>					
At 30 September 2008	19,804,434	14,322,914	207,550	30,600	34,365,498
<i>Net book value:</i>					
At 1 October 2007	18,226,349	3,078,973	118,853	467,643	21,891,818

The net book value held under finance leases was £217,701 (2007: £0). Depreciation charged in the period on these assets amounted to £37,782 (2007: £0).

Company	Freehold Land & Buildings £	Plant & machinery £	Fixtures & fittings £	Assets in the course of Construction £	Total £
<i>Cost:</i>					
At 1 October 2007	21,815,311	12,524,357	898,951	467,643	35,706,262
Additions	185,037	2,478,149	(1,909)	(462,511)	2,198,766
Acquisitions	2,417,613	8,599,292	193,096	(5,132)	11,204,869
Disposals	-	-	-	-	-
At 30 September 2008	24,417,961	23,601,798	1,090,138	-	49,109,897
<i>Depreciation:</i>					
At 1 October 2007	3,588,962	9,445,384	780,098	-	13,814,444
Provided during period	1,507,400	1,535,112	132,122	-	3,174,634
At 30 September 2008	5,096,362	10,980,496	912,220	-	16,989,078
<i>Net book value:</i>					
At 30 September 2008	19,321,599	12,621,302	177,918	-	32,120,819
<i>Net book value:</i>					
At 30 September 2007	18,226,349	3,078,973	118,853	467,643	21,891,818

Notes to the Financial Statements

at 30 September 2008

10. Intangible Assets

Group

	<i>Acquired Customer Base Of Aptuit (Glasgow) Ltd £</i>	<i>Goodwill £</i>
Cost:		
At 1 October 2007	-	-
Acquisition of subsidiary undertaking	1,188,119	7,246,285
At 30 September 2008	1,188,119	7,246,285
Amortisation:		
At 1 October 2007	-	-
Provided during the year	(99,010)	-
Impairment	-	(7,246,285)
At 30 September 2008	(99,010)	(7,246,285)
Net book value:		
At 30 September 2008	1,089,109	-
Net book value:		
At 30 September 2007	-	-

Company

	<i>Acquired Customer Base Of Evotec (UK) Ltd £</i>	<i>Goodwill £</i>
Cost:		
At 1 October 2007	-	-
Acquisition of pharmaceutical trade and assets of Evotec UK Ltd	1,400,627	3,474,880
At 30 September 2008	1,400,627	3,474,880
Amortisation:		
At 1 October 2007	-	-
Provided during the year	(105,942)	-
Impairment	(1,294,685)	(3,474,880)
At 30 September 2008	(1,400,627)	(3,474,880)
Net book value:		
At 30 September 2008	-	-
Net book value:		
At 30 September 2007	-	-

The Group amortises all intangible assets on a straight-line basis, based on estimated useful lives.

The current expectation regarding the useful life of customer relationships is 8-10 years and the Group has elected to amortise the intangible assets above over 10 years.

Notes to the Financial Statements

at 30 September 2008

11. Investments

Company	Subsidiary Undertakings £
Cost:	
At 1 October 2007	1
Additions	<u>11,140,541</u>
At 30 September	<u>11,140,542</u>
Amounts Provided	
At 1 October 2007	-
Impairment	<u>(7,246,285)</u>
	<u>(7,246,285)</u>
Net Book Value at 30 September 2008	<u>3,894,257</u>
Net Book Value at 30 September 2007	<u>1</u>

Details of the investments in which the company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

Investment	Location	Proportion of Voting rights & Shares held	Nature of Business
Aptuit Glasgow Ltd	UK	100%	Pharma formulation development
Apt. Informatics India Private Ltd	India	Nominal	Pharmaceutical analysis, services and consultancy

Acquisitions

On 30 November 2007 Aptuit (Edinburgh) Ltd acquired the Chemical and Pharmaceutical Development Business of Evotec AG, consisting of the pharmaceutical development assets of Evotec UK Ltd for a consideration of £18,274,276 in cash. On 30 November 2007 Aptuit (Edinburgh) Ltd also acquired the share capital of Evotec (Scotland) Ltd (now called Aptuit (Glasgow) Ltd). The company acquired Aptuit (Glasgow) Ltd for a consideration of £11,140,541 in cash.

Both Evotec UK Ltd and Evotec (Scotland) Ltd were wholly-owned subsidiaries of Evotec AG. The investment in Aptuit (Glasgow) Ltd has been included in the company's balance sheet at its fair value at the date of acquisition.

Notes to the Financial Statements

at 30 September 2008

Analysis of the acquisition of Aptuit (Glasgow) Ltd:

Net assets at date of acquisition:

	<i>Book Value</i>	<i>Revaluation adjustments</i>		<i>Fair value to group</i>
	£	£		£
Tangible fixed assets	3,004,200	(381,474)	(a)	2,622,726
Stocks	308,798	36,768	(b)	345,566
Debtors (including deferred taxation of £16,888)	1,150,538	52,392	(c)	1,202,930
Cash	256,659	-		256,659
Creditors due within one year	(1,110,149)	(49,191)	(d)	(1,159,340)
Creditors due within more than one year	(562,315)	(89)	(e)	(562,404)
Net assets	<u>3,047,731</u>	<u>(341,594)</u>		<u>2,706,137</u>

Goodwill arising on acquisition

8,434,404
11,140,541

Goodwill arising on acquisition consists of:

Goodwill

7,246,285

Acquired customer base of Aptuit (Glasgow) Ltd (Note 10)

1,188,119
8,434,404

Adjustments:

(a) impairment of tangible fixed assets

(b) reassessment of obsolete stock

(c) write down of debtors following reassessment of specific bad debt provision and amounts recoverable under contracts

(d) reassessment of amounts payable under contracts

(e) reassessment of deferred grant revenue

The summarised profit and loss account for the 11 month period from 1 January 2007 to 30 November 2007 (the effective date of acquisition) is as follows:

	£
Turnover	4,763,889
Operating Profit	362,283
Profit before tax	319,414
Taxation	<u>(91,340)</u>
Profit for the 11 months ended 30 November 2007	228,074

There were no recognised gains and losses in the eleven months ended 30 November 2007 other than the Profit of £228,074 above.

Analysis of the acquisition of Pharmaceutical Assets of Evotec UK Ltd:

Net assets at date of acquisition:

	<i>Book Value</i>	<i>Revaluation adjustments</i>		<i>Fair value to group</i>
	£	£		£
Tangible fixed assets	5,219,026	5,985,843		11,204,869
Stocks	2,113,820	(84,399)		2,029,421
Debtors	96,111	69,160		165,271
Net assets	<u>7,428,957</u>	<u>5,970,604</u>		<u>13,399,561</u>

Notes to the Financial Statements

at 30 September 2008

Goodwill arising on acquisition	<u>4,875,147</u>
	<u>18,274,708</u>
Goodwill arising on acquisition consists of:	
Goodwill	3,474,880
Acquired customer base of Pharmaceutical Assets of Evotec UK Ltd	<u>1,400,267</u>
	<u>4,875,147</u>

Calculation of Impairment – group

In accordance with FRS 11 "Impairment of Fixed assets and Goodwill" the carrying values of the UK based assets in the Active Pharmaceuticals Ingredient and Pharmaceutical Sciences units at 31 August 2008, have been compared to their recoverable amounts, represented by their value in use to the group.

The company engaged Empire valuation Specialists to calculate the fair value of the intangible assets recorded in the two units by calculating the discounted cash flows attributable to the intangible assets, customer relationships, and comparing the computed fair value to the carrying amount. This resulted in an intangible write-down of £1,294,685.

The implied goodwill values of the two reporting units was calculated by allocating the fair value of the reporting unit to the assets (including adjusted intangibles) and liabilities including debt of the reporting unit which leaves a residual amount applicable to goodwill which was compared to the book value. The difference of £10,721,165 was recorded as the impairment.

The recoverable amount of each unit has been determined based on a value in use calculation from discounted cash flow projections using a nominal discount rate of 17%. The cash flow projections have been derived from financial budgets approved by senior management covering a five year period. A long term growth rate consistent with the average industry growth rate has been assumed for five years, followed by a steady growth rate.

Calculation of Impairment

£

Impairment of Goodwill on Acquisition of Aptuit (Glasgow) Ltd	7,246,285
Impairment of Goodwill from Acquisition of pharmaceutical assets of Evotec UK Ltd	3,474,880
Impairment of Intangibles Acquired from pharmaceutical Assets of Evotec UK Ltd	<u>1,294,685</u>
	<u>12,015,850</u>

12. Stocks

	2008 £	Group 2007 £	2008 £	Company 2007 £
Raw materials	527,983	21,113	297,580	21,113
Work in progress	1,468,139	143,834	1,450,139	143,834
	<u>1,996,122</u>	<u>164,947</u>	<u>1,747,719</u>	<u>164,947</u>

Notes to the Financial Statements

at 30 September 2008

13. Debtors

	2008 £	Group 2007 £	2008 £	Company 2007 £
Amounts receivable within one year:				
Trade debtors	16,151,246	13,962,039	14,685,039	13,962,039
Amounts owed by group undertakings	39,931,651	19,787,456	40,314,677	19,787,456
Amounts recoverable on contracts	6,730,550	11,133,088	6,730,550	11,133,088
Other debtors	1,979,338	1,339,519	1,560,132	1,339,519
Prepayments and accrued income	1,263,899	1,491,443	1,110,144	1,491,443
Deferred tax (Note 17)	112,767	-	-	-
	<u>66,169,451</u>	<u>47,713,545</u>	<u>64,400,542</u>	<u>47,713,545</u>

14. Creditors: amounts falling due within one year

	2008 £	Group 2007 £	2008 £	Company 2007 £
Bank overdraft	-	1,019,861	-	1,019,861
Trade creditors	3,915,562	2,304,550	3,604,107	2,304,550
Taxation and Social Security	581,085	479,858	537,724	479,858
Bank loan	8,944,505	6,489,364	8,944,505	6,489,364
Other loan	62,500	-	-	-
Amounts owed to group undertakings	39,752,563	25,700,592	40,062,102	25,700,592
Payments on account	6,020,993	5,704,609	6,020,993	5,704,609
Accruals and deferred income	4,634,179	3,015,537	3,646,857	3,015,537
Finance leases	57,030	-	-	-
	<u>63,968,417</u>	<u>44,714,371</u>	<u>62,816,288</u>	<u>44,714,371</u>

The bank loan relates to a revolving credit facility and is secured by a floating charge over the company's assets. The credit facility carried an interest rate of 10.5% on EUR borrowing and 8.49% on USD borrowings as at 30 September 2008.

The "Other Loan" value of £62,500 represents the balance of a loan totalling £250,000 received from Neilstra, the landlord for the West of Scotland Science Park premises occupied by Aptuit (Glasgow) Ltd. The effective interest rate of this loan is 3.7%.

No charges or guarantee exist against this loan, although default of payments 14 days beyond formal written demand from Neilstra Developments Limited would result in interest being charged at 4% above base rate of the Royal Bank of Scotland until the instalment is paid.

Notes to the Financial Statements

at 30 September 2008

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

	2008 £	Group 2007 £	2008 £	Company 2007 £
Loan note owed to group undertaking	30,363,230	30,363,230	30,363,230	30,363,230
Government grant	292,781	-	-	-
Accrued expenses	137,029	-	-	-
Finance leases	64,342	-	-	-
Provision for Remediation	4,499	-	-	-
	<u>30,861,881</u>	<u>30,363,230</u>	<u>30,363,230</u>	<u>30,363,230</u>

The principal amount of the unsecured loan notes is £30,363,230. The notes are payable to Aptuit Inc and bear interest on the principal amount together with any accrued but unpaid interest outstanding at the rate equal to 10% per annum. The loan note maturity date is 30 September 2010.

16. Obligations under leases and hire purchase contracts

Group

Amounts due under finance leases and hire purchase contracts:

	2008 £	2007 £
Amounts payable		
Within one year	57,030	-
In two to five years	36,562	-
In over five years	27,780	-
	<u>121,372</u>	<u>-</u>

Group and Company

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2008 £	2007 £	2008 £	2007 £
Operating leases which expire:				
Within one year	-	-	-	-
In two to five years	-	-	77,840	26,340
In over five years	1,223,046	224,444	-	-
	<u>1,223,046</u>	<u>224,444</u>	<u>77,840</u>	<u>26,340</u>

Notes to the Financial Statements

at 30 September 2008

17. Provision for liabilities and charges

Deferred tax – Group

	2008	2008	2007	2007
	<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u>	<u>Unprovided</u>
	£	£	£	£
Deferred tax liability / (asset)				
Accelerated capital allowances	4,327,255	-	4,371,362	-
Short term timing difference	(755,754)	-	(729,608)	-
Tax losses	(3,684,480)	(2,689,276)	(3,641,754)	(2,644,195)
Pension provision	212	-	-	-
	<u>(112,767)</u>	<u>(2,689,276)</u>	<u>-</u>	<u>(2,644,195)</u>

The movement in the deferred tax provision is shown below:

	£
Opening balance at 1 October 2007	-
Movement in year	(112,767)
30 September 2008	<u>(112,767)</u>

Deferred tax - Company

	2008	2008	2007	2007
	<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u>	<u>Unprovided</u>
	£	£	£	£
Deferred tax liability / (asset)				
Accelerated capital allowances	4,431,329	-	4,371,362	-
Short term timing difference	(746,849)	-	(729,608)	-
Tax losses	(3,684,480)	(2,689,276)	(3,641,754)	(2,644,195)
	<u>-</u>	<u>(2,689,276)</u>	<u>-</u>	<u>(2,644,195)</u>

18. Share capital

The authorised, allotted and fully paid share capital of the group and company consisted of:

	Authorised 2008 and 2007	Allotted, called up and fully paid 2008 and 2007
	£	£
Equity share capital		
1,000 shares of £1 each	1,000	100

Notes to the Financial Statements

at 30 September 2008

19. Reconciliation of shareholders' funds and movements on reserves

Group

	<i>Share capital £</i>	<i>Capital contribution reserve £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 October 2007	100	8,508,225	(13,815,615)	(5,307,290)
Capital contribution in year		30,000,000	-	30,000,000
Loss for the year	-	-	(15,441,329)	(15,441,329)
Share-based payments	-	-	86,522	86,522
At 30 September 2008	100	38,508,225	(29,170,422)	9,337,903

On 30th November 2008 Aptuit Inc made a capital contribution of £30,000,000 to the group.

Company

	<i>Share capital £</i>	<i>Capital contribution reserve £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 October 2007	100	8,508,225	(13,815,615)	(5,307,290)
Capital contribution In Year		30,000,000	-	30,000,000
Loss for the year	-	-	(15,271,675)	(15,271,675)
Share-based payments	-	-	86,522	86,522
At 30 September 2008	100	38,508,225	(29,000,768)	9,507,557

20. Share options

The company has a share option scheme for employees over Aptuit Inc shares. Options are exercisable at a price agreed with HM Revenue & Customs as the market value of the company's shares on the date of grant. The options are capable of exercise on an Exit Event as defined in the share option scheme rules.

If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the company before the options vest.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	<i>2008 No.</i>	<i>2008 WAEP</i>	<i>2007 No.</i>	<i>2007 WAEP</i>
Outstanding at 1 October 2007	1,910,000	\$1.22	1,295,000	\$1.00
Granted	325,000	\$1.50	850,000	\$1.50
Forfeited	(490,000)	\$1.41	(235,000)	\$1.00
Exercised	-	-	-	-

Notes to the Financial Statements

at 30 September 2008

Outstanding at 30 September 2008	1,745,000	\$1.27	1,910,000	\$1.22
	<u> </u>		<u> </u>	
Exercisable at 30 September 2008	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The options outstanding at 30 September 2008 had a weighted average exercise price of \$1.27. In 2008, options were granted on 1 November 2007 and 3 March 2008.

The inputs into the Black-Scholes option pricing model are as follows:

	2008	2007
Weighted average share price	\$1.27	\$1.22
Weighted average exercise price	\$1.27	\$1.22
Expected volatility	36.4%	37.0%
Expected life	6.5 Years	10Years
Risk-free rate	4.16%	4.40%

Expected volatility was determined by calculating the historical volatility of the company's comparator group share price from which historical information was available. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The company recognised total expenses of £86,522 related to equity-settled share-based payment transactions in 2008 (2007 - £104,223).

21. Contingent liabilities

As a consequence of corporate restructurings that were completed when Aptuit (Edinburgh) Ltd was owned by Quintiles Ltd the company have certain contingent liabilities in respect of taxation and duties. Any contingent liability can not be reasonably estimated as it is dependent upon the actions and tax elections of Quintiles Limited. However, Aptuit Inc has a warranty from Quintiles Ltd that any liability would be satisfied by them. Aptuit Inc have committed that any such funds received by them in respect of such tax liabilities would be repaid to Aptuit (Edinburgh) Ltd.

22. Pensions

The company makes contributions to a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £1,140,924 (2007 - £964,156).

At the balance sheet date outstanding contributions amounted to £211,854 (2006 - £137,976).

23. Commitments

The company had no contracted capital expenditure at 30 September 2008 (2007 - £Nil).

Notes to the Financial Statements

at 30 September 2008

24. Notes to the Statement of Cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	Notes	2008 £	2007 £
Operating (loss)/profit	4	(12,668,886)	4,642,374
Depreciation	9	3,559,720	1,228,487
Impairment	11	12,015,850	-
Amortisation of Intangibles	10	204,952	-
Share based payments	19	86,522	104,223
Decrease in Trade and Other Receivables		3,169,257	335,317
Increase in Inter Company Trading Receivables		(2,713,416)	(672,669)
Decrease in Stock		543,812	58,580
Increase/(decrease) in trade and other payables		2,614,329	(9,553,243)
Increase in Inter Company Trading Payables		4,495,443	1,508,285
Decrease in non-current payables		(63,753)	(1,700,340)
Net cash inflow/(outflow) from operating activities		11,243,830	(4,048,986)

(b) Analysis of Net Debt

	At 1 October 2007 £	Cash Flow 2008 £	At 30 Sep 2008 £
Cash and Cash Equivalents	(1,019,861)	1,567,881	548,020
Loans and finance leases	(6,489,364)	(2,639,013)	(9,128,377)
	<u>(7,509,225)</u>	<u>(1,071,132)</u>	<u>(8,580,357)</u>

25. Ultimate parent undertaking

The ultimate parent undertaking is Aptuit Inc, which is incorporated in the United States of America.