

AV No. 2 Limited

**Directors' report and financial
statements**

Registered number: 4284876

Year ended 31 December 2007

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activities

The company is an intermediate holding company

Business review

During the year the company made a loss of £nil (2006 profit of £2,222,000) The company made a dividend of £1,709,000 during 2007 The directors do not recommend the payment of a further dividend (2006 £nil)

Political and charitable contributions

The company made no political or charitable contributions during the year (2006 £nil)

Directors and directors' interests

The directors who held office during the year were as follows

Adrian Buckmaster
Duncan McLellan


Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office

By order of the board



D McLellan
Director

PO Box 42
Hexagon Tower
Blackley
Manchester
M9 8ZS

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of AV No. 2 Limited

We have audited the financial statements of AV No. 2 Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. 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 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 financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 auditors' report to the members of AV No 2 Limited (*continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its result 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

KPMG Audit Plc 2 July 2008

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Operating profit		-	-
Profit on disposal of business	6	-	1,709
Other interest receivable and similar income	7	-	513
		<hr/>	<hr/>
Profit on ordinary activities before taxation		-	2,222
Tax on profit on ordinary activities	8	-	-
		<hr/>	<hr/>
Profit on ordinary activities after taxation		<hr/> <hr/>	<hr/> <hr/>

Statement of total recognised gains and losses
for the year ended 31 December 2007

There were no gains or losses in the current or preceding year other than those shown in the profit and loss account

Balance sheet
at 31 December 2007

	<i>Note</i>	2007 £000	2007 £000	2006 £000	2006 £000
Current assets					
Debtors amounts falling due within one year	10	-		1,709	
		<hr/>		<hr/>	
Net current assets			-		1,709
			<hr/>		<hr/>
Total assets less current liabilities			-		1,709
			<hr/>		<hr/>
Net assets			-		1,709
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	11		-		-
Profit and loss account	12		-		1,709
			<hr/>		<hr/>
Shareholders' funds			-		1,709
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 27 June 2008 and were signed on its behalf by



Duncan McLellan
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Profit for the financial year		-	2,222
Dividends	9	(1,709)	(44,481)
Net reduction in shareholders' funds		(1,709)	(42,259)
Opening shareholders' funds		1,709	43,968
Closing shareholders' funds		-	1,709

Notes

(forming part of the financial statements)

1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts as its results are included in the consolidated financial statements of Avecia Holdings plc. These financial statements present information about the company as an individual undertaking and not about its group. The consolidated financial statements of Avecia Holdings plc can be obtained from Avecia Holdings plc, PO Box 42, Hexagon Tower, Blackley, Manchester, M9 8ZS.

Under Financial Reporting Standard 1 (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by Avecia Holdings plc, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Fixed asset investments

Fixed asset investments are stated at cost less provision for any permanent impairment.

Foreign currencies

Exchange differences on foreign currency borrowings and deposits are included within net interest receivable/payable. Exchange differences on all other transactions, except relevant foreign currency loans, are taken to operating profit. Differences on relevant foreign currency loans, together with related tax, are taken to reserves via the statement of total recognised gains and losses and offset against the differences on net investments, as they are considered to be a hedge against movements on the net investments. To the extent that foreign currency loans are not considered to be a hedge, the foreign currency difference is booked to the profit and loss account.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Notes (continued)

2 Accounting policies (continued)

Classification of financial instruments issued by the Company (continued)

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which they are declared and approved. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements. Interim dividends are recognised in the period in which they are paid.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

3 Remuneration of directors

None of the directors received any remuneration for their work as directors of the company.

4 Staff numbers and costs

Other than the named directors, the company has no employees.

5 Auditors' remuneration

Audit services for the company totalled £3,150 (2006 £3,000). This amount was borne by the ultimate parent undertaking.

Notes (continued)

6 Profit on disposal of business

In February 2005, the company completed the sale of the NeoResins business to Royal DSM. The additional profit on disposal in 2006 resulted from the settlement of various unresolved tax issues at the time of the sale.

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Profit on disposal	-	1,709

7 Other interest receivable and similar income

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Receivable on loans to group undertakings	-	513
	-	513

8 Taxation

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Profit on ordinary activities before taxation	-	2,222
Current tax at 30%	-	667
<i>Effects of</i>		
Group relief surrendered for the current period	-	(667)
Tax on profit on ordinary activities	-	-

Notes (continued)

9 Dividends

During November 2007, an inter-company debtor of £1,709,000 was repaid. The company used this to pay a dividend to its parent, Avecia Investments Limited.

10 Debtors

	2007 £000	2006 £000
Amounts owed by group undertakings	-	1,709

11 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
Equity 100 Ordinary shares of £1.00 each	100	100
<i>Allotted, called up and fully paid</i>		
Equity 1 Ordinary share of £1.00 each	1	1

12 Reserves

	Profit and loss account £000
At beginning of year	1,709
Dividend paid	(1,709)
At end of year	-

13 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Avecia Investments Limited which is incorporated in the United Kingdom. The ultimate parent company is Avecia (Jersey) Limited, a company registered and incorporated in Jersey.

The largest group in which the results of the company are consolidated is that headed by Avecia Holdings plc which is incorporated in the United Kingdom.