



Evolutec Group plc
Annual Report and Accounts 2007

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The Report of the Directors on pages 7 to 9 and the Remuneration report on pages 15 to 19 have each been drawn up in accordance with the requirements of English law, and liability in respect thereof is also governed by English law. In particular, the responsibility of the Directors' for these reports is owed solely to Evolutec Group PLC.

The Directors submit to the members their Report and Accounts of the Company for the year ended 31 December 2007. Pages 2 to 20, including the Highlights, Chairman's Review, Board of Directors, Report of the Directors, Corporate Governance, Remuneration Report and Statement of Directors' Responsibilities form part of the Report of the Directors.

HIGHLIGHTS

- The loss for the year was £1.76 million (2006, loss £11.83 million)
- The Company made a small pre-tax profit of £0.17 million in the second half of 2007 reflecting the fact that interest payments on its cash deposits were sufficient to cover its cost base
- Net cash and cash equivalents on 31 December were £5.8 million (2006, £8.7 million)
- Based on 25.9 million issued ordinary shares, Evolutech had a cash value of 23.0p per share (2006, 33.6p per share) at the year end
- The Company has out-licensed its intellectual property in the biopharmaceutical area to third parties
- The Company is now classified as an investment company under the AIM rules.
- The Company is actively looking for a single investment opportunity

CHAIRMAN'S REVIEW

Following the disappointing clinical results with rEV131 at the end of 2006 and the subsequent collapse of the Company's share price, the Company undertook a review of its strategic options in the first quarter of 2007. It was clear that there was no shareholder appetite for the risk involved in continuing the Company as an independent entity engaged in biopharmaceutical research and development and it was decided to look for alternative solutions.

Numis Securities was appointed to assist the Company with the review of its strategic options, merging with another company being the most obvious. After an exhaustive search and the identification of a potential merger partner, these discussions did not yield a recommendable offer. The Company was then left with a very difficult decision to make. After further consultation with major institutional shareholders it was felt that the majority opinion was in favour of a return of cash by way of a Member's Voluntary Liquidation (MVL). The Board felt that the proposed distribution of net cash by way of liquidation provided shareholders with certainty as to quantum and timing.

Appropriate steps were taken to begin this process and on the 6th June the Company sent out a Circular convening an Extraordinary General Meeting (EGM) to approve the MVL for 6th July 2007. During this period the Company took all steps to reduce its expenditure to the minimum and to settle all its outstanding debts. This involved ending the contracts of all employees and terminating the lease on the Company's premises in Reading. Effectively the Company became a cash shell with a listing on the Alternative Investment Market (AIM).

After sending the Circular, the Board received written confirmation from Gartmore Investment Limited (Gartmore) that they had increased their holding in Evolutec through market purchases and that at that time they held 23.9 per cent of the issued share capital of Evolutec. Furthermore, Gartmore advised the Board that they would not vote in favour of the Resolutions proposed in the Circular. As the Resolutions were special, AIM rules required the approval of three-quarters of those shareholders voting in person or by proxy. As another institutional shareholder indicated that it too would vote against the Resolutions, the Board was of the view that the Resolutions would not be passed. This proved to be the case when the EGM was held and the resolutions were not passed. Following the EGM, Nicholas Badman, Dr Mark Carnegie Brown, John Burke and Malcolm Darvell resigned as Directors of the Company.

Following these structural changes, the cost base of the Company was considerably reduced. It took all necessary steps to reduce cash outflow to the minimum consistent with maintaining its AIM listing. Assuming that interest rates remain broadly similar to current values then the Company anticipates that it should be able to continue to preserve its cash reserve. The loss for the financial year was reduced to £1.76 million (2006, loss £11.83 million) and the Company had cash and cash equivalents of £5.80 million at the end of the year (2006, £8.68 million). The Company made a small operating profit of £0.17 million for the second half of 2007 reflecting the changes described above. Most of the loss in the first half of the year was explained by the costs of closing the activities of the Company and terminating service contracts.

Graeme Hart and I have continued as Directors and in addition Gartmore proposed that Gordon Hall and Mark Hawtin should join the Board to assist the Company with its future. These appointments were subsequently confirmed and it is a pleasure to welcome Gordon and Mark to the Board. They have considerable experience in the healthcare and fund management fields

respectively, and have been of considerable benefit to the Company already in reviewing future opportunities.

The regulatory team at AIM have confirmed that Evlutec will be classed as an investment company under the AIM Rules pending any further transaction. The Board intend that the investment policy of Evlutec will be to seek a single investment, most probably in a UK or European business, in the technology, healthcare or service related sectors. It is expected that the investee company will be an actively trading and profitable entity. The Board believes that it will have the necessary experience to evaluate any potential acquisitions. Any proposed acquisition by the Board will be subject to shareholder approval.

During the second half of the financial year, all the intellectual properties of the Company were licensed to third parties. The intellectual property related to the potential vaccine technology was assigned to Merial Limited for a single payment covering the license fee and costs. The remaining assets were licensed to Varleigh Limited, a collaborator of Evlutec in the development of rEV131. In this case the Company received a single payment covering license fees and costs as well as a future royalty in the event that there are commercial revenues. The Company judged that the licensees would have a better opportunity to evaluate whether the technology worked in a clinical setting. The Company has retained a commercial interest in its intellectual property in the event that it proves successful via its royalty position. The Company does not intend to research or develop new products in the biopharmaceutical area.

During the last six months the Company has reviewed a number of investment opportunities which have met the investment criteria without being able to agree valuations. During this period, market conditions have worsened considerably and it is not clear when conditions will either stabilise or improve. The valuations of smaller companies with market capitalisations below £50 million have been particularly impacted and this is the area where Evlutec expects to identify a suitable investment. This has made valuing companies very difficult, particularly in terms of satisfying expectations of shareholders on both sides of the transaction. Nevertheless, the Board believes that it remains in the interests of Evlutec shareholders for the Company to continue to pursue this investment route and therefore the Board has proposed a resolution that the Company should continue as an investment company until the next Annual General Meeting to be convened in 2009.

In the past year the Company has endeavoured to simplify its operations in order to facilitate any investment process that might occur. It would be normal at the time of the Annual General Meeting to seek the authority to allocate shares to cover the ordinary or special activities of the Company. Given the expressed intention of the Company to seek a single investment and to put this to shareholders for approval, the Directors felt that on this occasion it was inappropriate to seek any authorisation to allocate additional shares.

The major shareholder in Evlutec at 31 December 2007 is Gartmore with 25.8% of the issued equity. More than 50% of the issued equity is held by five investors. They have continued to acquire shares in the market during the past six months and the Board has solicited their opinion on a number of occasions in determining its future strategy. It remains a key objective of the Board to find an investment opportunity that delivers value to all its shareholders over the next twelve months.

David P Bloxham
Chairman
4 March 2008

BOARD OF DIRECTORS

DR DAVID BLOXHAM (60)

Non-Executive Chairman NA

David was appointed as Chairman of Evolutec in August 2003, having previously been Chief Executive Officer of Evolutec Limited. David is chairman of the nomination committee. David is also chairman of the Babraham Institute. He was chief executive officer of Cobra Therapeutics from 1998 to 2001 and prior to that was Chief Operating Officer of Celltech plc where he was involved with the discovery, development and marketing of a number of drugs.

GRAEME HART (63)

Non-Executive Director RNA

Graeme was appointed Non-Executive Director in August 2003. Graeme is Chairman of the remuneration committee. Graeme is Chairman of Corin Group plc, Thornbury Nursing Services and Neuropharm plc, and Non-Executive Director of Limbs and Things Limited and ClinPhone. Graeme is an orthopaedic surgeon who has also built a successful business career. He founded Medic International in 1972 and built this into Health Care Services, a USM listed company which was later acquired by Compass Group.

MARK HATWIN (45)

Non-Executive Director RNA

Mark was a Partner of Marshall Wace LLP, one of Europe's largest hedge funds with \$13bn under management, until June 2007. He launched the Eureka Interactive Fund for Marshall Wace in 1999 which became one of the largest global technology hedge funds. While predominately investing in quoted technology, media and telecom companies, the fund also invested in pre IPO and earlier stage unquoted investment. Prior to Marshall Wace, Mark was at Enskilda Securities as the Director responsible for International Equities.

GORDON HALL (65)

Non-Executive Director RNA

After an early career in teaching, Gordon built up substantial international sales, management and development expertise with Rank Xerox and Abbott Laboratories. He became Chief Executive Officer of Shield Diagnostic Ltd (now Axis Shield) in 1990 and was responsible for listing the company on the London Stock Exchange and growing it into a substantial business. More recently Gordon has been involved with a range of different companies and he is currently Chairman of Osmetech plc as well as a Non-executive Director of IBL plc and Plectrum OIL plc.

A Audit committee

N Nomination committee

R Remuneration committee

Bold indicates chairman of that committee

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report on the affairs of the Group, together with the financial statements and the report of the independent auditor, for the year ended 31 December 2007. The remuneration report can be found on pages 15 to 19 and the corporate governance report can be found on pages 10 to 14.

Principal activity

The principal activity of the Group during the year continued to be the discovery and development of biopharmaceuticals for therapeutic use until these activities were concluded. The Company is now classified as an investment company for the purposes of the AIM Rules.

Key events

Key events during the past year and since the year-end are referred to in the Chairman's review.

Results and dividends

The revenue of the Group during the year was £82,000 (2006: £14,000). The loss after taxation amounted to £1,763,000 (2006: £11,827,000). The Directors do not recommend the payment of a dividend (2006: nil).

Future developments

The likely future developments of the Company are described in the Chairman's review.

Key performance indicators ("KPIs")

The key performance indicators for the Group are as follows:

- Identification of investment opportunity – seeking an actively trading profitable company with a market capitalisation probably in the £30 to 50 million range.
- Cash utilisation – pending investment, surplus cash has been deposited with two banks on short term contracts at market rates of interest.

Substantial shareholdings

At 27th February 2008, the Directors had been notified of the following disclosable holdings representing three per cent or more of the issued share capital of the Company.

Shareholder having a major interest	Number of shares held	% of issued shares
Gartmore Investment Managers	6,683,999	25.8
Goldman Sachs	3,157,500	12.2
Bluehone Investors	3,156,276	12.2
Cantor Fitzgerald	2,870,260	11.1
Deutsche Bank	1,940,835	7.5

Directors

The Directors of the Company who served during the year were:

Executive

Dr M Carnegie Brown (Chief Executive Officer) - resigned 6 July 2007
Mr NJ Badman (Chief Financial Officer) - resigned 6 July 2007

Non-Executive

Dr DP Bloxham (Chairman)
Mr GM Hart
Mr M Hawtin - appointed 9 July 2007
Mr G Hall - appointed 9 July 2007
Mr JV Burke - resigned 6 July 2007
Mr ML Darvell - resigned 6 July 2007

Biographical details of the Directors, including those seeking re-election at the forthcoming Annual General Meeting, are set out on page 6.

Re-election

M Hawtin and G Hall, who were appointed by the Board since the last Annual General Meeting, will submit themselves for election at the forthcoming Annual General Meeting. Although the Articles of Association allow Directors to retire by rotation the Board has decided that given Evolutec's special circumstances then it would be best if all Directors offered themselves for re-election. Accordingly, DP Bloxham and G Hart will also submit themselves for election.

Directors' Interests

Details of the beneficial interests of the Directors and their families in the ordinary shares of the Company, as disclosed in the Register of Directors' Interests, are given in the Directors' Remuneration Report.

Employees

Currently Evolutec has no permanent employees.

Financial risk management

The financial risk management and objectives of the Group and the exposure of the Group to credit liquidity and cash flow risk are set out in Note 19 to the Accounts (Financial instruments related disclosure).

Payment of creditors

The Group does not follow a specific payment code but has a policy to pay its suppliers in accordance with the specific terms agreed with each supplier. The creditor days for 2007 were 30 days (2006: 34 days).

Going concern

The Group had cash investments of £5.80 million at 31 December 2007 and the interest earned on these is projected to comfortably exceed its normal outgoings for the next twelve months. The Company is actively seeking a single investment opportunity using the expertise of its Board working in collaboration with shareholders and advisers.

Auditor

Grant Thornton UK LLP has expressed its willingness to continue in office as auditor and a resolution proposing its re-appointment and authorising the Directors to determine its

remuneration will be proposed at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

Annual General Meeting

Accompanying this report is the notice of Annual General Meeting of the Company which sets out on page 46 the resolutions relating to the Company's ordinary business.

The meeting will be held at 10:30 a.m. on the 10th April 2008 at the offices of Norton Rose LLP, 3 More London Riverside, London, SE1 2AQ.

On behalf of the Board

David P Bloxham
Director
4 March 2008

CORPORATE GOVERNANCE

The Combined Code

The Company is committed to high standards of corporate governance of its affairs as part of its management of relationships with its shareholders and other stakeholders. The Company seeks to uphold and report on compliance with best practice in corporate governance.

The Combined Code on Corporate Governance (the "Combined Code"), which is published by the Financial Reporting Council, sets out principles of good corporate governance for listed companies and requires listed companies to disclose in their annual report how they have applied the principles and complied with the detailed provisions set out. Under the rules of AIM, the Group is not required to comply with the Combined Code. However, the Group has taken steps to comply with the Combined Code in so far as it can be applied practically, given the size of the Group.

The principles set out in the Combined Code cover four areas: the Board, Directors' remuneration, accountability and audit, and relations with shareholders. With the exception of Directors' remuneration (which is dealt with separately in the Directors' Remuneration Report) the following section sets out how the Board has applied such principles.

The Board

The Company supports the concept of an effective board leading and controlling the Group.

The Board provides entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board approves the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives. The Board sets the Group's values and standards and ensures that the Company's obligations to its shareholders and others are understood and met.

The Board currently consists of four Non-Executive Directors. The Board is of sufficient size that the balance of skills and experience is appropriate for the current requirements of the business. The members of the Board, and the roles of each Director are given in the biographical details of the Directors on page 6.

All Directors take decisions objectively in the interests of the Company.

As part of their role as members of the Board, Non-Executive Directors constructively challenge and help develop proposals on strategy. They satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

The Board has a schedule of matters specifically reserved to it for decision. The Board controls the business. In particular, the Non-Executive Directors working with shareholders and advisors are responsible for identifying and evaluating investment opportunities.

The Board has six scheduled meetings per annum (approximately every two months), with additional meetings when circumstances and urgent business dictate. In the year under review, there were ten meetings of the Board. All Directors receive an agenda and Board papers in advance of meetings to help them make an effective contribution at the meetings. The Board makes use of appropriate technology as a means of updating and informing its members.

The Group has introduced an appraisal system for evaluating the performance of the Chairman and the Board. The Chairman will act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Board and, where appropriate, seeking changes in the composition of the Board.

The Board accepts that objectivity of the evaluation process would be enhanced by the use of an external third party, but does not consider it appropriate for the Company on the grounds of cost. The Non-Executive Directors, led by GM Hart the Senior Independent Director, are responsible for performance evaluation of the Chairman.

All Directors are subject to re-election at the first AGM after their appointment and at least every three years thereafter.

The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

The Board has engaged Paul D Welch to provide accountancy support to the Company. He is a qualified accountant and provides the Board with appropriate and timely information relating to the finances of the Company.

GM Hart is the Senior Independent Director of Evolutec's four Non-Executive Directors. The Senior Independent Director is available to shareholders if they have concerns for which contact through the normal channels has failed to resolve or for which such contact is inappropriate.

The Chairman is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role. The Chairman is also responsible for ensuring that the Directors receive accurate, timely and clear information. The Chairman ensures clear communication with shareholders. The Chairman also facilitates the effective contribution of Non-Executive Directors. Norton Rose LLP provide a company secretarial service to the Board and advises on all governance matters.

The Chairman was previously Executive Chairman and, prior to that, Chief Executive of Evolutec Limited.

Audit committee and auditors

Mark Hawtin is chairman of the audit committee. The other members are Gordon Hall, Graham Hart and DP Bloxham. Although the Combined Code recommends that the Chairman of the Board should not be a member of the committee the Company believes the committee is best able to discharge its functions as currently constituted.

The audit committee is responsible for reviewing the effectiveness of the Group's financial reporting and internal control policies and risk management systems, and for maintaining an appropriate relationship with the Company's auditors. The audit committee has a particular role to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control.

The audit committee endorses the principles set out in the Smith Guidance for audit committees.

External training is available to members of the audit committee to encourage an understanding of the principles of and developments in financial reporting and related company law. Training is also available in understanding financial statements, applicable accounting standards and recommended accounting practice.

The terms of reference for the audit committee are available on the Evolutec website.

In the year under review there were two meetings of the committee. All members attended at least part of each meeting.

No one other than the audit committee's chairman and members is entitled to be present at a meeting of the audit committee. The audit committee decides if non-members should attend for a particular meeting or for a particular agenda item. The external audit lead partner is invited regularly to attend meetings.

Although formal meetings of the audit committee constitute the basis of its work, the chairman of the committee keeps in touch on a continuing basis with key individuals involved in the Company's governance, including the Chairman of the Board and the external audit lead partner. The audit committee chairman meets with the external auditors at least annually, without management, to discuss matters relating to its remit and any issues arising from the audit.

The audit committee does not consider that an internal audit function is required for the Company due to the small size and nature of the business.

The audit committee has primary responsibility for making a recommendation on the appointment, re-appointment and removal of external auditors. The audit committee reviews the nature and extent of non-audit services supplied by the external auditors to the Group, seeking to balance objectivity and value for money.

Remuneration committee

Details of the remuneration committee and the committee's report for the financial period can be found in the separate Remuneration Report on pages 15 to 19 of this report and accounts.

The terms of reference of the remuneration committee, explaining its role and the authority delegated to it by the Board, are available on the Evolutec website. No one other than the remuneration committee's chairman and members is entitled to be present at a meeting of the remuneration committee.

Risk management and internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The risk management process and systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives. It should be recognised that such systems can only provide reasonable but not absolute assurance against material misstatement or loss.

A system to identify, assess and evaluate business risk is embedded within the management process throughout the Group. Strategic risks are reviewed regularly by the Board. Risks relating to the key activities within the Group are assessed continuously.

The Group's established internal procedures include the following:

- A schedule of matters reserved for the Board.
- The Board meets at least 6 times per annum to manage the affairs of the Group. The Group's financial and operating performance is closely monitored at each Board meeting.
- The Group prepares an annual budget prior to the commencement of each financial year. Revised forecasts are prepared as required. The budget and the revised forecasts are reviewed and approved by the Board.
- The Board monitors actual monthly financial performance of the Group with particular emphasis on significant variances and new risks arising.

Detailed operational procedures have been developed for the Group that embody key controls. The implications of changes in law and regulations are taken into account within these procedures.

The Board confirms that it has conducted a review of the effectiveness of the Group's system of internal controls described above as at February 2008.

Shareholder relations

The Company reports formally to shareholders twice a year, around late February/early March (preliminary announcement of annual results) and September (interim statement). The Annual Report is mailed out to shareholders at the time of the preliminary announcement. Separate announcements of all material events are made as necessary.

Regular communications are maintained with institutional shareholders and, in particular, presentations are given to shareholders when the half-year and full-year financial results are announced. GM Hart, as Senior Independent Director, is available to meet with shareholders if, and when, required. The whole Board is kept up to date at its regular meetings with the views of shareholders and analysts.

The Group's website (www.evolutec.co.uk) provides an overview of the business including its strategy, products and objectives. All Group announcements are available on the website and new announcements are published without delay. This report and accounts will also be available on the website.

The Annual General Meeting ("AGM") is used to communicate with shareholders and they are encouraged to attend. The Company ensures that all valid proxy appointments received for general meetings are properly recorded and counted. Once a vote has been taken on a resolution the Company will (except where taken on a poll) indicate the levels of proxies lodged, the balance for and against the resolution and the number of abstentions.

Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the annual report and accounts, and a resolution to approve the Directors' Remuneration Report.

The chairmen of the audit, remuneration and nomination committees are available to answer questions, and all Directors attend the AGM. The Group arranges for the Notice of the AGM and related papers to be sent to shareholders at least 20 working days before the meeting.

Corporate social responsibility

The Board is committed to running the Company in accordance with best practice in corporate governance. This commitment includes recognition by the Company of the importance of taking into account its corporate social responsibility ("CSR") in operating the business. In this context, Evolutec seeks to integrate CSR considerations relating particularly to social, ethical and health, safety and environment ("HS&E") issues in its day-to-day operations. The Board acknowledges its duty to ensure the Group conducts its activities responsibly and with proper regard for all its stakeholders including, shareholders, business partners, suppliers and the local communities.

In exercising its CSR, Evolutec seeks to ensure that:

- The Board takes account of the significance of social and ethical issues.
- The business is focused on delivering value to stakeholders.
- Existing legislation, regulations and guidelines are adhered to as a minimum.
- HS&E issues are treated as critical areas of importance for the business.

On behalf of the Board

David Bloxham
Director
4 March 2008

REMUNERATION REPORT

The remuneration committee

The remuneration committee ("the committee") is chaired by GM Hart. The other members of the committee are Mark Hawtin and Gordon Hall who were appointed in July 2007, replacing Malcolm Darvell and John Burke who resigned in July 2007.

Policy on employee remuneration

The Group's policy on the remuneration of employees is established by the committee and approved by the Board. The committee was advised on matters relating to the Director's remuneration by the Chairman. No Director participates in discussions relating to the setting of their own remuneration.

The Group does not presently employ full time executives. The only employees consist of the Chairman and Non-Executive Directors, who are all employed on a part-time basis. The employment of the two Executive Directors was terminated on 6 July 2007. Their payment for 2007 reflects the terms and conditions of their employment up to the time of termination as well as payments related to the severance of their contracts. The performance related bonus payments that they received related to work completed during 2006.

Policies on remuneration take account of the pay structure and employment conditions of an AIM listed company, and recognise that the Company is not actively trading at present.

Components of remuneration

Employee's remuneration currently comprises annual salary in respect of the Chairman and Non-Executive Directors, no incentivisation in the form of share options, share awards or pension contributions is made currently.

Annual salary

The remuneration committee approves the annual salary in respect of the Chairman and the Chairman approves the remuneration of the other Non-Executive directors, having taken advice from the NOMAD.

Other benefits

Long-term incentive arrangements, pension benefits and other benefits are not currently paid by the Company in respect of the Chairman or Non-Executive Directors. The Chairman received a performance related bonus in connection with work carried out by him to maintain the Company's continuation following the decision not to proceed with the Members Voluntary Liquidation.

Executive Directors' service contracts and remuneration

Currently there are no Executive Directors; therefore there are no service contracts in existence. These were terminated on 6 July 2007.

Non-Executive Directors' appointments and remuneration

DP Bloxham was appointed Non-Executive Chairman of the Company for an initial term of 3 years on 2 August 2005, on the Company's admission to AIM, having previously been Chief Executive Officer and Executive Chairman of Evolutec Ltd. His service agreement, which is dated 20 July 2005, is terminable by either party on one month's notice. The Chairman's remuneration is proposed by the Executive Directors and sanctioned by the Board, in the absence of the Chairman.

GM Hart was appointed a Non-Executive Director of the Company on 2 August 2004 under an agreement dated 17 June 2004 for an initial term of 3 years having previously been a Non-Executive Director of Evolutec Ltd. He was given a new contract as a Non-Executive Director on 9 July 2007 for a term of 1 year.

Mark Hawtin and Gordon Hall were appointed Non-Executive Directors for initial terms of 3 years on 9 July 2007. All of these appointments are terminable, on one month's notice.

All Non-Executive Directors receive fees for serving as Members of the Board and its Committees. No additional fees are paid in respect of Committee Chairman.

All of the Non-Executive appointments are subject to the Directors concerned being elected or re-elected under the relevant provisions in the Company's Articles of Association, and subject to Companies Act provisions, and there is a reference to retirements by rotation at the forthcoming AGM on page 46. Each Non-Executive Director still serving at the end of his term will have his appointment reviewed by the Board and a further term of office may be agreed.

DIRECTORS INTERESTS IN SHARES

The table below sets out the interests of the Directors in the Company's shares. There have been no changes in the Directors interests' in shares since 31 December 2007.

	10 pence Ordinary shares owned at 31 December 2007		10 pence Ordinary shares owned at 31 December 2006	
	Number	Percentage (%)	Number	Percentage (%)
Dr D P Bloxham	133,608	0.51%	133,608	0.51%
GM Hart	208,739	0.80%	208,739	0.80%
Mark Hawtin – in respect of 2007	-	-	N/A	N/A
Gordon Hall – in respect of 2007	-	-	N/A	N/A

DIRECTORS' REMUNERATION

	Salary and car allowance	Performance related bonus	Payments re termination of contracts	Year to 31 December 2007 Total	Year to 31 December 2006 Total	Year to 31 December 2007 Total pension
	£000	£000	£000	£000	£000	£000
Executive						
Dr M Carnegie Brown (CEO)	85,417	34,200	209,318	328,935	267,150	28,500
NJ Badman (CFO)	63,260	20,700	155,939	239,898	190,349	20,700
Total	148,677	54,900	365,257	568,833	457,499	49,200
Non-Executive						
Dr DP Bloxham	42,218	5,000	-	47,218	63,750	-
GM Hart	17,359	-	-	17,359	29,375	-
G Hall	4,859	-	-	4,859	-	-
M Hawtin	4,859	-	-	4,859	-	-
JV Burke	12,500	-	2,500	15,000	29,375	-
ML Darvell	12,500	-	2,500	15,000	18,192	-
Total	96,795	5,000	5,000	106,795	140,679	-
Total	245,472	59,900	370,257	675,628	620,291	49,200

The total emoluments of the highest-paid Director, excluding pension contributions, for the year to 31 December 2007 amounted to £328,935 (prior year £267,150). Pension contributions made during the period for the highest paid Director were £28,500 (prior year £18,375). The Company's policy is not to pay an expense allowance to Directors.

DIRECTORS' OPTIONS AND PERFORMANCE RELATED SHARE AWARDS

	At 1 January 2007	Granted in the period	Lapsed in the period	At 31 December 2007	Exercise Price	Date from which exercisable	Expiry date	Performance conditions
	Number	Number	Number	Number	£			
Dr DP Bloxham								
Unapproved Scheme	122,537	-	(122,537)	-	2.50	2 Aug 2004	2 Aug 2007	n/a
LTIP Initial Award	60,000	-	(60,000)	-	1.25	20 Jul 2007	20 Jul 2008	Market & non-market
LTIP Discretionary Award - 2004	80,000	-	(80,000)	-	n/a	20 Jul 2007	20 Jul 2007	Market & non-market
Total	262,537	-	(262,537)	-				
Dr M Carnegie Brown								
Unapproved Scheme	106,761	-	(106,761)	-	1.40	2 Aug 2004	2 Aug 2007	n/a
LTIP Initial Award	40,000	-	(40,000)	-	1.25	20 Jul 2007	20 Jul 2008	Market & non-market
LTIP Discretionary Award - 2004	160,000	-	(160,000)	-	n/a	20 Jul 2007	20 Jul 2007	Market & non-market
LTIP Discretionary Award - 2005	79,464	-	(79,464)	-	n/a	20 Apr 2008	20 Apr 2008	Market & non-market
LTIP Discretionary Award - 2006	33,675	-	(33,675)	-	n/a	28 Feb 2009	28 Feb 2009	Market
Co-Investment Plan Award - 2006	35,000	-	(35,000)	-	n/a	25 Oct 2009	25 Oct 2009	Market
Performance Share Plan - 2005	80,000	-	(80,000)	-	n/a	20 Oct 2008	20 Oct 2008	Market
Performance Share Plan - 2006	251,046	-	(251,046)	-	n/a	19 Sep 2009	19 Sep 2009	Market
EMI Scheme	80,000	-	(80,000)	-	1.25	20 Jul 2007	20 Jul 2014	Market & non-market
Total	865,946	-	(865,946)	-				
NJ Badman								
LTIP Initial Award	12,000	-	(12,000)	-	1.25	20 Jul 2007	20 Jul 2008	Market & non-market
LTIP Discretionary Award - 2004	160,000	-	(160,000)	-	n/a	20 Jul 2007	20 Jul 2007	Market & non-market
LTIP Discretionary Award - 2005	115,359	-	(115,359)	-	n/a	20 Apr 2008	20 Apr 2008	Market & non-market
Co-Investment Plan Award - 2006	23,076	-	(23,076)	-	n/a	25 Oct 2009	25 Oct 2009	Market
Performance Plan - 2005	60,000	-	(60,000)	-	n/a	20 Oct 2008	20 Oct 2008	Market
Performance Plan - 2006	150,628	-	(150,628)	-	n/a	19 Sep 2009	19 Sep 2009	Market
EMI Scheme	80,000	-	(80,000)	-	1.25	20 Jul 2007	20 Jul 2014	Market & non-market
Total	601,063	-	(601,063)	-				

JV Burke							
Unapproved Scheme	28,720	-	(28,720)	-	2.50	2 Aug 2004	2 Aug 2007
Total	28,720	-	(28,720)	-			n/a

Notes

1. During the course of the year all granted options lapsed.
2. GM Hart, G Hall and M Hawtin do not hold any options or performance related shares in the Company.

Approved by the Board of Directors
 GM Hart
 Chairman, remuneration committee
 4 March 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required, in accordance with company law and International Financial Reporting Standards as adopted by the European Union to prepare the Annual Report and financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for the financial period.

The Directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume the Group will continue in business. The Directors confirm that in preparing the financial statements, the Company and the Group have used appropriate accounting policies that have been consistently applied and supported by reasonable and prudent judgements and estimates; that all accounting standards which they consider to be applicable have been followed subject to any explanations and material departures disclosed in the notes to the financial statements; and that they comply with IFRS.

The Directors have responsibility for ensuring that the Company and the Group keep proper accounting records which disclose, with reasonable accuracy at the time, the financial position of the Company and Group, and which enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website, and acknowledge that the information published on the internet is accessible in countries with different legal requirements to the preparation and dissemination of financial statements.

So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the steps they should have taken as Directors to make themselves aware of such information and to establish that the auditor is aware of it.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF EVOLUTEC GROUP PLC

We have audited the group and parent Company financial statements (the "financial statements") of Evolutec Group plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated and parent Company balance sheets, the consolidated and parent Company statements of changes in shareholders' equity, the consolidated and parent Company cash flow statements and notes 1 to 22. 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 auditor

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union 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. The information given in the Directors' Report includes that specific information presented in the Chairman's review that is cross referred from the Principal activity and Key events sections of the Directors' Report.

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 Highlights, the Chairman's review, the Report of the Directors, the Corporate Governance statement and the Directors' Remuneration 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 31 December 2007;
- 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.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
Oxford
4 March 2008

Consolidated income statement

For the year ended 31 December 2007

		Year ended 31 December 2007	Year ended 31 December 2006
Continuing operations	Note	£000	£000
Revenue	2	82	14
Cost of sales		(1)	(1)
Gross Profit		81	13
Selling and marketing costs		(160)	(189)
Research and development expenditure		(1,050)	(10,509)
Administrative expenses		(1,159)	(2,172)
Operating loss		(2,288)	(12,857)
Finance income	5	375	749
Finance costs	5	(12)	(364)
Loss before tax		(1,925)	(12,472)
Taxation	6	162	645
Loss for the period		(1,763)	(11,827)
Basic and diluted loss per ordinary share from continuing activities	7	(6.8)p	(49.3)p

The notes form part of these financial statements.

Balance sheets

As at 31 December 2007

		Group 31 December 2007	Group 31 December 2006	Company 31 December 2007	Company 31 December 2006
ASSETS	Note	£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	8	-	140		
Equity accounted Investments	9	-	-	5,791	3,853
		-	140	5,791	3,853
Current assets					
Research and development tax credits		162	645	-	-
Trade and other receivables	10	28	203	-	-
Held-to-maturity investments	11	-	-	-	-
Cash and cash equivalents	12	5,797	8,682	-	3,147
		5,987	9,530	-	3,147
Total assets		5,987	9,670	5,791	7,000
EQUITY					
Share capital	13	27,037	27,037	27,037	27,037
Other reserves	15	8,518	9,083	4,784	5,349
Retained deficit		(29,602)	(27,839)	(26,030)	(25,386)
Equity shareholders' funds		5,953	8,281	5,791	7,000
LIABILITIES					
Non current liabilities	17	-	34	-	-
		-	34	-	-
Current liabilities					
Trade and other payables	17	34	1,355	-	-
Total liabilities		34	1,389	-	-
Total equity and liabilities		5,987	9,670	5,791	7,000

The notes form part of these financial statements.

Approved by the Board of Directors

David P Bloxham
4 March 2008

Consolidated statements of changes in shareholders' equity

Group	Share capital £000	Share Premium £000	Other reserves £000	Retained deficit £000	Total £000
Balance at 1 January 2006	2,359	22,043	8,793	(16,012)	17,183
Net income recognised directly in equity					
Loss for the year	-	-	-	(11,827)	(11,827)
Total recognised income and expense for the period	-	-	-	(11,827)	(11,827)
Share-based payments charge	-	-	290	-	290
Issue of ordinary shares	236	2,399	-	-	2,635
Balance at 31 December 2006	2,595	24,442	9,083	(27,839)	8,281
Net income recognised directly in equity					
Loss for the year	-	-	-	(1,763)	(1,763)
Total recognised income and expense for the period	-	-	-	(1,763)	(1,763)
Share-based payments charge / (credit)	-	-	(565)	-	(565)
Balance at 31 December 2007	2,595	24,442	8,518	(29,602)	5,953
Company					
Balance at 1 January 2006	2,359	22,043	4,784	-	29,186
Net income recognised directly in equity					
Impairment charge	-	-	-	(25,386)	(25,386)
Total recognised income and expense for the period	-	-	-	(25,386)	(25,386)
Share-based payments charge	-	-	565	-	565
Issue of ordinary shares	236	2,399	-	-	2,635
Balance at 31 December 2006	2,595	24,442	5,349	(25,386)	7,000
Net income recognised directly in equity					
Impairment charge	-	-	-	(644)	(644)
Total recognised income and expense for the period	-	-	-	(644)	(644)
Share-based payments charge/(credit)	-	-	(565)	-	(565)
Balance at 31 December 2007	2,595	24,442	4,784	(26,030)	5,791

Cash flow statements

for the year ended 31 December 2006

	Group Year ended 31 December 2007	Group Year ended 31 December 2006	Company Year ended 31 December 2007	Company Year ended 31 December 2006
Note	£000	£000	£000	£000
Cash flows from operating activities				
Loss for the period	(1,763)	(11,827)	(644)	(25,386)
Taxation	(162)	(645)	-	-
Depreciation	8 140	87	-	-
Interest received	(375)	(595)	-	-
Fair value adjustment on investment in subsidiary	-	-	644	25,386
Unrealised foreign exchange losses	-	81	-	-
Share options – value of employee services	(565)	290	-	-
Decrease in trade and other receivables	174	616	-	-
Decrease in trade and other payables	(1,354)	(526)	-	-
Cash used by operations	(3,905)	(12,519)	-	-
Taxation received	645	502	-	-
Net cash outflow from operating activities	(3,260)	(12,017)	-	-
Cash flows from investing activities				
Purchase of property, plant and equipment	8 -	(66)	-	-
(Increase)/decrease in investment in subsidiary	9 -	-	(3,147)	512
Interest received	375	595	-	-
Decrease/(increase) in held-to-maturity investments	-	15,877	-	-
Net cash generated from (applied to) investing activities	375	16,406	(3,147)	512
Cash flows from financing activities				
Proceeds from issuance of shares	-	2,635	-	2,635
Net cash generated from financing activities	-	2,635	-	2,635
Net (decrease)/increase in cash and cash equivalents				
Cash and cash equivalents at the start of the period	(2,885)	7,024	(3,147)	3,147
Exchange gains/(losses) on cash and bank overdrafts	8,682	1,739	3,147	-
Cash and cash equivalents at the end of the period	-	(81)	-	-
Cash and cash equivalents at the end of the period	5,797	8,682	-	3,147

The notes form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2007

1. Accounting policies and basis of preparation

Following the cessation of its research and development-based pharmaceutical business, Evlutec has been classified as an investment company in the terms of the rules of the Alternative Investment Market of the London Stock Exchange (AIM). The Directors believe that the Group has sufficient funds available to continue for the foreseeable future; therefore the financial statements have been prepared on the going concern basis.

Basis of preparation These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations endorsed by the EU and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

IFRS7 Financial Instruments: Disclosures A new standard has become mandatory for reporting periods beginning 1 January 2007 or later. This standard which replaces rules previously set out in IAS32, Financial Instruments: Presentation and Disclosures, has been applied by the group in its 2007 consolidated financial statements. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirement. The first time application of IFRS7 has not resulted in any prior period adjustments of cash flows, net income or balance sheet line items.

Company income statement In accordance with the provisions of Section 230 of the Companies Act 1985, no separate income statement has been presented for the Evlutec Group plc. The results for the Company are also presented under IFRS.

Accounting policies The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of consolidation The consolidated financial statements of the Group include the accounts of Evlutec Group plc and all its subsidiary undertakings (together, the "Group"), made up to 31 December 2007. Inter-company transactions are eliminated on consolidation.

The identifiable assets and liabilities of subsidiary undertakings accounted for under acquisition accounting principles are included in the consolidated balance sheet at their fair values at the date of acquisition. The results and cash flows of such subsidiaries are brought into the Group accounts only from the date of acquisition.

The combination of Evlutec Group plc and Evlutec Limited in 2004 was accounted for under merger accounting principles.

Revenue The Group generates revenue by licensing its technologies. The recognition of such revenue, including up front and milestone payments, is dependent on the terms of the related arrangement, having regard to the ongoing risks and rewards of the arrangement, and the existence of any performance or repayment obligations with any third party.

Non-refundable access fees, options fees and milestone payments receivable for participation by a third party in development and commercialisation of a product development candidate are

recognised when they become contractually binding, provided there are no related commitments of the Group. Where there are related commitments, revenue is recognised on a percentage-of-completion basis in line with the actual levels of expenditure incurred in fulfilling these commitments. All other licence income and contract research fees are recognised over the accounting period to which the relevant services relate. Revenues derived from grants received are recognised in line with the related expenditure. Royalty income is recognised in relation to sales to which the royalty relates.

Operating leases Costs in respect of operating leases are charged to the income statement on a straight-line basis over the terms of the leases.

Share-based payments The Group makes equity-settled share-based payments to its employees and Directors. Equity-settled share-based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period of the award. At each balance sheet date, Evlutec revises its estimate of the number of options that are expected to become exercisable.

The value of any shares or options granted is charged to the income statement over the period the shares vest, with a corresponding credit to reserves. When share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium.

The principal assumptions used to calculate the value of options issued are:

Share price volatility	45%
Risk free rate of return	4.5%
Date of exercise	Normally assumed to be the first possible exercise date

Employee benefits All employee benefit costs, notably holiday pay and contributions to personal defined contribution pension plans, are charged to the income statement on an accruals basis. The Group does not offer any other post-retirement benefits.

Taxation Current tax, including UK corporation tax and research and development tax credits, is provided (or shown) at amounts expected to be paid (or recovered) using the tax rates or laws that have been enacted, or substantially enacted, by the balance sheet date.

Credit is taken in the accounting period for research and development tax credits, which will be claimed from HM Revenue and Customs in respect of qualifying research and development costs incurred in the same accounting period.

Deferred tax is recognised in respect of all temporary differences identified at the balance sheet date. Temporary differences are differences between the carrying amount of the Group's assets and liabilities and their tax base.

A deferred tax asset is recognised only when, on the basis of all the available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is provided on temporary differences arising in subsidiaries, except where the timing of reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted

or substantially enacted by the balance sheet date. Measurement of deferred tax liabilities and assets reflects the tax consequence expected to follow from the manner in which the asset or liability is recovered or settled.

Property, plant and equipment Property, plant and equipment are stated at historic cost less depreciation and any provision for impairment. Historic cost comprises the purchase price together with any incidental costs of acquisition. Depreciation is calculated to write off the cost, less residual value, of tangible fixed assets in equal annual instalments over their estimated useful lives as follows:

Plant and machinery 3-5 years
Fixtures and fittings 3 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable. The assets residual values and useful lives are reviewed and adjusted, if appropriate, at each financial year end.

Internally-generated intangible assets – product research and development Development expenditure on new or substantially improved products is capitalised as an intangible asset and amortised through cost of sales over the expected useful life of the product concerned. Capitalisation commences from the point at which the technical feasibility and commercial viability of the product can be demonstrated and the Group is satisfied that it is probable that future economic benefit will result from the product once completed. This is usually at the point of regulatory filing in a major market and approval is highly probable. Capitalisation ceases when the product is ready for launch. Where assets are acquired or constructed in order to provide facilities for research and development over a number of years, they are capitalised and depreciated over their useful lives. Expenditure relating to clinical trials is accrued on a percentage-of-completion basis with reference to fee estimates with third parties.

Expenditure on research and development activities which do not meet the above criteria is charged to the income statement as incurred.

Financial instruments The Group's financial instruments comprise cash and cash equivalents, held-to-maturity financial assets and various receivables and payables, such as trade receivables and trade and other payables, which arise directly from its operations. The Group does not enter into derivative transactions or other forms of hedging arrangements.

Held-to-maturity investments Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Assets in this category are held at amortised cost. Held-to-maturity investments include short-term investments with original maturities of more than 3 months.

Cash and cash equivalents Cash and cash equivalents include cash in hand, bank deposits repayable on demand and other short-term highly liquid investments with original maturities of 3 months or less.

Foreign currencies Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the transaction date. Monetary assets and liabilities in foreign currencies are retranslated into sterling at the rates of exchange ruling at the balance sheet date. Differences arising due to exchange rate fluctuations are taken to the income statement in the period in which they arise.

2. Segmental information

Primary reporting format – business segments

For the year ended 31 December 2007, the Group's single business segment was the research and development of a range of pharmaceutical product candidates. An analysis of revenue by category within the research and development business segment is as follows:

Analysis of revenue by category

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Collaborative agreements	-	14
Licensing intellectual property rights	82	-
Total	82	14

Secondary reporting format – geographical segments

The Group operates in a number of geographical areas. The home country of the Company, and of Evolutec Limited – which is the main operating company – is the United Kingdom. The area of operation is primarily research and development of a range of pharmaceutical product candidates.

Revenue

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
United Kingdom	67	-
North America	15	14
Total	82	14

Total assets

	31 December 2007 £000	31 December 2006 £000
United Kingdom	5,987	9,670

Total assets are allocated based on where the assets are located.

Capital expenditure

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
United Kingdom (Note 8)	-	66

Capital expenditure is allocated based on where the assets are located.

3. Expenses by nature

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Depreciation charges (Note 8)	140	87
Employee benefit expense (Note 4)	848	1,915
Auditors' remuneration:		
- for audit services	25	26
- for other services – taxation	5	10
- for other services – advice on voluntary liquidation	50	-
Operating leases – land and buildings	181	86
Exchange differences	12	210

Of the auditors' remuneration, £14,500 relates to the Company.

4. Employee benefit expense

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Wages and salaries	1,178	1,339
Social security costs	138	161
Share options and conditional shares granted to Directors and employees	(565)	323
Pension costs	97	92
Total	848	1,915
Number of Full-time Employees		
Research, development and operations	3	5
Administration	3	7
	6	12

Key Management compensation

	2007	2006
	£000	£000
Salary and short-term employee benefits	943	931
Pension	85	71
Share-based payments	(589)	315
	439	1,317

The key management figures given above include Directors (see note 22).

5. Finance income and finance costs

	2007	2006
	£000	£000
Finance income		
Interest on cash and cash equivalents	375	318
Interest on held-to-maturity assets	-	277
Exchange gain on cash and cash equivalents	-	96
Exchange gain on held-to-maturity assets	-	30
Exchange gain on other payables	-	28
	375	749
Finance costs		
Exchange loss on cash and cash equivalents	(5)	(317)
Exchange loss on held-to-maturity assets	-	(40)
Exchange loss on other payables	(7)	(5)
Exchange loss on receivables	-	(2)
	(12)	(364)
Net finance credit	363	385

6. Tax credit on loss on ordinary activities

The tax credit represents:

	Year ended	Year ended
	31 December	31 December
	2007	2006
	£000	£000
Research and development tax credits	162	645

The tax assessed on the loss on ordinary activities for the period is lower than the standard rate of Corporation Tax in the United Kingdom of 19% (2006: 19%). The differences are explained as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
	£000	£000
Loss on ordinary activities before taxation	1,925	12,472
Loss before tax at 19%	366	2,370
Expenses not deductible for tax purposes	34	(69)
Deferred tax asset not recognized	(271)	(2,139)
Research and development tax credit receivable at 24 per cent of losses compared with 19 per cent. tax rate	34	483
Taxation	162	645

No liability to UK corporation tax arose during the period. The Group had losses, as computed for taxation purposes, of approximately £23.4 million at 31 December 2007 (31 December 2006: £22.1million) available to be carried forward to future periods (see Note 18).

In accordance with the provisions of Finance Act 2000 in respect of research and development allowances, the Group is entitled to claim tax credits for certain research and development expenditure. The amount included in the financial statements in respect of the year 31 December 2007 of £162,000 (year ended 31 December 2006: £645,000) represents the tax credit receivable by the Group.

7. Loss per share

Basic loss per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Since the group is loss-making there is no such dilutive impact.

	Year ended 31 December 2007	Year ended 31 December 2006
Attributable loss (£000)	(1,763)	(11,827)
Weighted average number of shares in issue (000)	25,950	24,011
Loss per share (basic and diluted)	(6.8)p	(49.3)p

All potential ordinary shares including options and conditional shares are anti-dilutive.

8. Property, plant and equipment

Group	Plant and machinery £000	Office Equipment £000	Fixtures and fittings £000	Total £000
At 1 January 2006				
Cost	84	96	47	227
Accumulated depreciation	(17)	(38)	(11)	(66)
Net book amount	67	58	36	161
Year ended 31 December 2006				
Opening net book amount	67	58	36	161
Additions	2	36	28	66
Depreciation	(33)	(34)	(20)	(87)
Closing net book amount	36	60	44	140
At 31 December 2006				
Cost	86	132	75	293
Accumulated depreciation	(50)	(72)	(31)	(153)
Net book amount	36	60	44	140
Year ended 31 December 2007				
Opening net book amount	36	60	44	140
Additions	-	-	-	-
Disposals	(86)	(132)	(75)	(293)
Depreciation	(36)	(60)	(44)	(140)
Depreciation on disposals	86	132	75	293
Closing net book amount	-	-	-	-
At 31 December 2007				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book amount	-	-	-	-

Company

The Company had no tangible fixed assets or capital commitments at 31 December 2007 or 31 December 2006.

9. Investments in subsidiaries

Company	2007		2007		2007 Total		2006		2006	
	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Shares in subsidiary undertakings	Loans to subsidiary undertakings
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost										
At 1 January	5,338	23,901	5,338	23,901	5,338	23,848	29,186			
Additions	-	2,582	-	2,582	-	53	53			
At 31 December 2007	5,338	26,483	5,338	31,821	5,338	23,901	29,239			
Provisions										
At 1 January	(1,485)	(23,901)	(1,485)	(23,901)	-	-	-			
Reclassification of provision	1,485	(1,485)	-	-	-	-	-			
Impairment charge for the year	-	(644)	(1,485)	(644)	(1,485)	(23,901)	(25,386)			
At 31 December 2007	-	(26,030)	(1,485)	(26,030)	(1,485)	(23,901)	(25,386)			
Net book value at 31 December 2007	5,338	453	5,338	5,791	3,853	-	3,853			

At 31 December 2007 the Company had the following wholly-owned subsidiary undertakings:

Subsidiary undertaking	Nature of business	Country of incorporation and operation
Evolutec Limited	Research and development	England and Wales
Vacs of Life plc	Dormant	England and Wales
Oxford Vacs Limited	Dormant	England and Wales

During 2007, two dormant subsidiaries, Optevol Limited and Bravacs Limited were dissolved. Application was also made to strike off Vacs of Life plc and Oxford Vacs Limited.

10. Trade and other receivables

	Group 31 December 2007	Group 31 December 2006	Company 31 December 2007	Company 31 December 2006
	£000	£000	£000	£000
Non-current trade and other receivables	-	-	-	-
Trade receivables	2	-	-	-
Other receivables	2	24	-	-
Prepayments and accrued income	24	179	-	-
Current trade and other receivables	28	203	-	-

All the above amounts are due within one year. The directors consider that the carrying value of trade and other receivables approximates fair value.

11. Held-to-maturity financial assets

These represent fixed-rate short-term deposits placed with a range of banks at fixed terms (see Note 19).

12. Cash and cash equivalents

	Group 31 December 2007	Group 31 December 2006	Company 31 December 2007	Company 31 December 2006
	£000	£000	£000	£000
Cash at bank and in hand	183	16	-	-
Short-term bank deposits	5,614	8,666	-	3,147
Total	5,797	8,682	-	3,147

13. Share Capital

	Number of ordinary shares	Share capital £000	Share premium £000	Total £000
At 1 January 2006	23,590,906	2,359	22,043	24,402
Proceeds from shares issued	2,359,090	236	2,399	2,635
At 31 December 2006	25,949,996	2,595	24,442	27,037
At 31 December 2007	25,949,996	2,595	24,442	27,037

The authorised share capital of the Company at 31 December 2007 was £7,700,000 divided into 77,000,000 ordinary shares of 10p each (2006: 77,000,000).

All issued shares are fully paid.

The rights and restrictions attaching to the ordinary shares are set out in the Articles of Association.

Capital management objectives and policies

Evolutec Group Plc's capital management objectives are:

- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders

by seeking a single investment opportunity in the technology, healthcare or service related sectors.

The Group monitors capital on the basis of the carrying value of the amount of equity.

14. Share-based payments

The number of conditional shares and shares subject to option at 31 December 2007 are shown below. Further details of the schemes under which these awards were granted can be found in the Remuneration Report. All of the awards were granted for nil consideration.

Date of grant	Exercise period /date award vests	At 1 January 2007 Number	Granted in the period Number	Lapsed	At 31 December 2007 Number	Exercise price (£)
LTIP – Initial Award						
20 Jul 04	20 Jul 07 - 20 Jul 08	52,000	-	(52,000)	-	1.25
LTIP – Discretionary Award						
20 Jul 04	20 Jul 07	400,000	-	(400,000)	-	Nil
20 Apr 05	20 Apr 08	113,573	-	(113,573)	-	Nil
09 Nov 05	09 Nov 08	81,250	-	(81,250)	-	Nil
28 Feb 06	28 Feb 09	33,675	-	(33,675)	-	Nil
18 Apr 06	18 Apr 09	39,050	-	(39,050)	-	Nil
20 Apr 06	20 Apr 09	86,002	-	(86,002)	-	Nil
Total		753,550	-	(753,550)	-	
Co-Investment Plan						
25 Oct 06	25 Oct 09	58,076	-	(58,076)	-	Nil
Performance Share Plan						
20 Oct 05	20 Oct 08	140,000	-	(140,000)	-	Nil
19 Sep 06	19 Sep 09	669,456	-	(669,456)	-	Nil
Total		809,456	-	(809,456)	-	

EMI Scheme						
20 Jul 04	20 Jul 07 – 20 Jul 14	220,000	-	(220,000)	-	1.25
29 Apr 05	29 Apr 08 – 29 Apr 15	36,000	-	(36,000)	-	1.48
20 Oct 05	20 Oct 08 – 20 Oct 15	76,961	-	(76,961)	-	1.60
25 Oct 05	25 Oct 08 – 25 Oct 15	21,944	-	(21,944)	-	1.60
07 Nov 05	07 Nov 08 – 07 Nov 15	3,698	-	(3,698)	-	1.56
Total		358,603		(358,603)		
Unapproved Scheme						
14 Jun 99	02 Aug 04 – 02 Aug 07	49,667	-	(49,667)	-	2.50
19 Jul 00	02 Aug 04 – 02 Aug 07	400	-	(400)	-	2.50
11 Oct 00	02 Aug 04 – 02 Aug 07	22,133	-	(22,133)	-	2.50
08 May 01	02 Aug 04 – 02 Aug 07	122,537	-	(122,537)	-	2.50
17 Sep 03	02 Aug 04 – 02 Aug 07	147,761	-	(147,761)	-	1.40
Total		342,498		(342,498)		

Exercise of an option and vesting of an award of conditional shares is generally subject to continued employment and to satisfaction of the applicable performance conditions. The fair value per conditional share and per option granted and the assumptions used in the calculation of fair value for awards made after 7 November 2002 are set out in the table below.

Date of award	Number	Expected volatility ²	Risk free rate	Share price on grant date	Fair value per share	Fair value	Performance Conditions ⁴
LTIP – Initial Award							
20 Jul 04	52,000	45%	4.5%	1.25	Nil	Nil	Market & non-market
LTIP – Discretionary Award							
20 Jul 04	400,000	45%	4.5%	1.25	0.25	100,000	Market & non-market
20 Apr 05	113,573	45%	4.5%	1.55	1.55	176,038	Market
09 Nov 05	81,250	45%	4.5%	1.59	1.59	129,187	Market
28 Feb 06	33,675	45%	4.5%	1.62	1.62	54,554	Market
18 Apr 06	39,050	45%	4.5%	1.50	1.50	58,575	Market
20 Apr 06	86,002	45%	4.5%	1.49	1.49	128,143	Market
Total	753,550					646,497	
Co-Investment Plan							
25 Oct 06	58,076	45%	4.5%	1.29	1.29	74,918	Market
Performance Share Plan							
20 Oct 05	140,000	45%	4.5%	1.59	1.59	222,600	Market
19 Sep 06	669,456	45%	4.5%	1.19	1.19	796,653	Market
Total	809,456					1,019,253	
EMI Scheme							
20 Jul 04	220,000	45%	4.5%	1.25	Nil	Nil	Market & non-market
29 Apr 05	36,000	45%	4.5%	1.48	0.52	18,720	Market
20 Oct 05	76,961	45%	4.5%	1.60	0.55	42,328	Market
25 Oct 05	21,944	45%	4.5%	1.60	0.56	12,289	Market
07 Nov 05	3,698	45%	4.5%	1.56	0.55	2,034	Market
Total	358,603					75,371	
Unapproved Scheme							
17 Sep 03	147,761	45%	4.5%	1.40	0.17	25,119	None

Note - All options have now lapsed.

A reconciliation of share option scheme movements for the years ended 31 December 2007 and 31 December 2006 is set out below:

	2007	2007	2006	2006
	Number	weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January	2,374,183	0.53	1,572,125	0.93
Granted	-	-	886,259	-
Forfeited/lapsed	(2,374,183)	0.53	(84,201)	2.50
Exercised	-	-	-	-
Outstanding at 31 December	-	-	2,374,183	0.53
Exercisable at 31 December	-	-	342,498	2.03

15. Other reserves

	Share- based payments £000	Capital redemption reserve £000	Merger reserve £000	Own shares held by Employee Benefit Trust £000	Total £000
Group					
Balance at 1 January 2006	275	4,804	3,734	(20)	8,793
Share-based payments charge	290	-	-	-	290
Balance at 31 December 2006	565	4,804	3,734	(20)	9,083
Share-based payments charge/(credit)	(565)	-	-	-	(565)
Balance at 31 December 2007	-	4,804	3,734	(20)	8,518
Company					
Balance at 1 January 2006	-	4,804	-	(20)	4,784
Share-based payments charge	565	-	-	-	565
Balance at 31 December 2006	565	4,804	-	(20)	5,349
Share-based payments charge/(credit)	(565)	-	-	-	(565)
Balance at 31 December 2007	-	4,804	-	(20)	4,784

The share-based payments reserve arose from the value of share-based payments to employees which were recognised over the vesting period.

The merger reserve arose as a difference on consolidation under merger accounting principles and is solely in respect of the merger of Evlutec Group plc and Evlutec Limited in a prior period. The reserve represents the difference between the nominal value of shares issued by Evlutec Group plc in consideration for Evlutec Limited shares and the nominal value and share premium and other capital reserves of Evlutec Limited shares at the date of the merger.

The capital redemption reserve arises from the the off-market purchase of deferred shares on 4 May 2005 and their subsequent cancellation.

16. Shareholders' equity

The share premium account is a non-distributable reserve.

The loss attributable to shareholders which is dealt with in the accounts of the Company was £0.7 million (2006: loss of £25.4 million). In accordance with section 230(4) of the Companies Act 1985 there is no requirement to publish a profit and loss account for the Company.

17. Trade and other payables

	Group 31 December 2007	Group 31 December 2006	Company 31 December 2007	Company 31 December 2006
	£000	£000	£000	£000
Provision for NI on share options	-	34	-	-
Non Current trade and other liabilities	-	34	-	-
Trade payables	4	165	-	-
Taxation and social security payable	2	136	-	-
Accruals	28	1,054	-	-
Current trade and other liabilities	34	1,355	-	-
Total trade and other liabilities	34	1,389	-	-

The directors consider the carrying value of trade and other payables approximates fair value.

18. Deferred Tax Asset

	31 December 2007	31 December 2006
	£000	£000
Property, plant and equipment	29	13
Share-based payments accrual	-	1
Other accruals	4,445	4,129
Total timing differences	4,474	4,143

The deferred tax asset has not been recognised.

19. Financial instruments related disclosure

The Group's financial instruments comprise cash and cash equivalents, held-to-maturity financial assets and various receivables and payables, such as trade receivables and trade and other payables, that arise directly from its operations. The Group does not enter into derivative transactions or other forms of hedging arrangements. In addition, it is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken except in accordance with strict and prudent investment criteria, principally that funds are actively managed by reputable independent fund managers and investments are only made in low-risk funds with fixed rates of return.

The main risks arising from the Group's financial instruments are (a) interest rate risk, (b) liquidity risk and (c) foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarized below. These policies have remained unchanged throughout the period under review, and since the year end.

Interest rate risk

The Group finances its operations through reserves of cash and liquid resources. The funds are held in sterling and US dollar denominated treasury deposits. The Group's policy is to split its deposits between at least two banks, each with a minimum credit rating of F1/A. The objective is to derive the maximum interest consistent with flexibility to undertake ongoing activity whilst safeguarding the asset.

Liquidity risk

The Board's policy is to ensure that sufficient funds are held on a short-term basis in order to meet operational needs without the use of an overdraft facility. The functional currency of all the Company's subsidiary undertakings is sterling.

Foreign currency risk

The Group's functional currency is sterling and nearly all the Company's assets are held in this currency. The Group has no transactional currency exposures.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group is as follows:

	Fixed rate financial assets	Floating rate financial assets	Total
	£000	£000	£000
At 31 December 2006			
Sterling – cash and cash equivalents (i)	7,223	296	7,519
US Dollars – cash and cash equivalents (i)	1,005	158	1,163
Total	8,228	454	8,682
At 31 December 2007			
Sterling – Cash and cash equivalents (i)	5,614	174	5,788
US Dollars – cash and cash equivalents (i)	-	9	9
Total	5,614	183	5,797

- (i) Cash and cash equivalents include cash in hand, bank deposits repayable on demand and other short-term high liquid investments with original maturity of 3 months or less.

Borrowing facilities

The Group has no borrowing facilities.

Foreign currency exposure

At 31 December 2007 the Group had net monetary assets of £9k (31 December 2006: £1.2 million) denominated in US Dollars.

20. Operating lease commitments

At 31 December 2007, the Group had annual commitments of £Nil (2006: £62,683) in respect of operating leases for land and buildings. The Group's operating leases have different expiry dates. The minimum future payments under these terms of operating leases total £Nil (2006: £233,112).

21. Financial commitments and contingencies

Group At 31 December 2007, the Group had no contingent liabilities (2006: £nil) and no capital commitments (2006: £nil).

Company At 31 December 2007, the Company had no contingent liabilities (2006: £nil) and no capital commitments (2006: £nil).

22. Related party disclosures

Group At 31 December 2007 and 31 December 2006 the Group had no related party transactions other than in respect of compensation payments to key management (including directors) as set out in note 4. The components of that financial information that relates to directors were:-

	2007	2006
	£000	£000
Salary and short-term employee benefits	676	620
Pension	49	32
Share-based payments	(416)	214
	309	866

The salary and short-term employee benefits relating to the highest paid director were £329,000 (2006 : £267,000) and pension contributions were £28,000 (2006 : £18,000)

Company The Company has issued share options to employees of subsidiary undertakings. The Company provides financing to its operating subsidiary undertakings. Details of intercompany loans can be found in Note 9.

SHAREHOLDER INFORMATION

Registrar

Administrative enquiries regarding shareholdings in Evolutec Group plc on such matters as change of address or lost share certificates should be made to Capita Registrars at the address on page 50. Correspondence should clearly state the name and address of the shareholder and refer to Evolutec Group plc.

Amalgamation of shareholdings

If a shareholder receives more than one copy of the report and accounts, it may indicate multiple accounts in the shareholders' name are appearing on the share register. Shareholders can write to Capita Registrars stating the accounts concerned and giving instructions on how they should be amalgamated.

Financial calendar

Annual General Meeting	10 April 2008
Interim results 2008	September 2008
Preliminary results 2008	February 2009

Share price information

Evolutec shares are listed on the Alternative Investment Market on the London Stock Exchange under the symbol EVC. The latest share price information is available on the Evolutec's website at www.evolutec.co.uk and on the London Stock Exchange's website at www.londonstockexchange.com.

Annual General Meeting

The Company's 2008 Annual General Meeting of shareholders will take place on 10 April 2008 at 10:30 am at the offices of Norton Rose LLP at 3 More London Riverside, London SE1 2AQ.

Company Number: 5067291

EVOLUTEC GROUP PLC
(the "Company")

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the third **ANNUAL GENERAL MEETING** of the Company will be held at 10:30 am on 10 April 2008 at 3 More London Riverside, London, SE1 2AQ for the following purposes:

Ordinary Business

1. To receive, approve and adopt the Company's accounts for the financial year ended 31 December 2007, together with the Directors' report and the auditors' report on those accounts.
2. To approve the Directors' Remuneration Report for the financial year ended 31 December 2007.
3. To reappoint Grant Thornton UK LLP as auditors to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid and to authorise the Directors to fix their remuneration.
4. To reappoint M Hawtin as a Director of the Company.
5. To reappoint G Hall as a Director of the Company.
6. To reappoint D Bloxham as a Director of the Company.
7. To reappoint G Hart as a Director of the Company.

Special Business

as an Ordinary Resolution

8. The Company continue to carry on business in its present form as an investing company (as that term is defined in the AIM Rules for Companies: February 2007) until the conclusion of the annual general meeting of the Company in 2009, unless it is resolved at or prior to that annual general meeting that the Company continue its business for a further period or change its business as its members consider appropriate.

as a Special Resolution

9. That, with effect from 00:01 a.m. on 1 October 2008, the Articles of Association in the proposed new form, as produced to the meeting and initialled by the Chairman for the purposes of identification, be and are hereby approved and adopted in substitution for and to the exclusion of the Company's existing Articles of Association.

On behalf of the Board
David P Bloxham
Dated: 4 March 2008

Registered office:
3 More London Riverside
London
SE1 2AQ

Notes to Members

1. A member who is entitled to attend and vote at the above meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company. A proxy form for use by members at the meeting accompanies this notice.
2. To be effective, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such authority) must be deposited at the office of the Company's registrars, at the Proxy Processing Centre, Telford Road, Bicester, OX26 4LD not less than 48 hours before the time for holding the Meeting or any adjournment thereof. You may also deliver by hand to The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU during usual business hours.
3. Completion and return of the proxy form does not preclude a member from attending and voting at the meeting in person.
4. In accordance with the permission in Regulation 41 of the Uncertified Securities Regulations 2001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company's share register at 10.00 a.m. on Monday 8 April 2007 shall be entitled to attend the above meeting and to vote in respect of the number of shares registered in their names at that time. Changes to entries in the share register after 10.00 a.m. on Monday 8 April 2007 shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.
5. A register of the interests of each Director in shares of the Company and copies of the Directors' contracts of service are available for inspection at the registered office of the Company during normal business hours on any week day (Saturday, Sunday and public holidays excepted) up to and including the date of the meeting and then at the place of the meeting fifteen minutes prior to and until the close of the meeting.

EVOLUTEC GROUP PLC
(the “Company”)
PROXY FORM

I/We,.....
of.....
being (a) member(s) of the above-named Company appoint the Chairman of the meeting or
.....(see note 1)

as my/our proxy to vote on my/our behalf at the annual general meeting of the Company (the “Meeting”) to be held at 10:30 am on 10 April 2008, and at any adjournment of such meeting (see notes 2, 3, 4, 5 and 6).

This form is to be used in respect of the resolutions mentioned below. I/We request my/our proxy to vote in the manner indicated with an “X” as follows:

		For	Against	Vote withheld
Resolution 1 (ordinary resolution)	(adopt accounts)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 (ordinary resolution)	(approve remuneration report)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 (ordinary resolution)	(reappoint auditors)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 (ordinary resolution)	(reappoint M Hawtin)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 (ordinary resolution)	(reappoint G Hall)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 (ordinary resolution)	(reappoint D Bloxham)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 (ordinary resolution)	(reappoint G Hart)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 (ordinary resolution)	(approve continuation of Company until the next AGM)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 (special resolution)	(approve changes to Articles of Association)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Unless otherwise instructed, the proxy may vote as he or she thinks fit or abstain from voting in respect of the resolutions specified and also on any other business (including amendments to resolutions) which may properly come before the Meeting.

Date.....

Signed..... (see note 7)

Notes

1. If you wish to appoint as proxy a person other than the Chairman of the Meeting (who need not be a member), please delete the words "the Chairman of the meeting or" and insert the name of the other person. All alterations made to this proxy form must be initialled by the signatory.
2. To be effective, this proxy form and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited with the Company's registrars, at the Proxy Processing Centre, Telford Road, Bicester, OX26 4LD not less than 48 hours before the time for holding the Meeting or any adjournment thereof. You may also deliver by hand to The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU during usual business hours.
3. If you wish your proxy to cast all of your votes for or against a resolution you should insert an "X" in the appropriate box. If you wish your proxy to cast only certain votes for and certain votes against, insert the relevant number of shares in the appropriate box. In the absence of instructions, your proxy may vote or abstain from voting as he or she thinks fit on the specified resolutions and, unless instructed otherwise, may also vote or abstain from voting as he or she thinks fit on any other business (including on a motion to amend a resolution, to propose a new resolution or to adjourn the Meeting) which may properly come before the Meeting.
4. Please note the "vote withheld" option is provided to enable you to abstain on any particular resolution. However, a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" and "against" a resolution.
5. Completion and return of this proxy form will not prevent you from attending in person and voting at the Meeting should you subsequently decide to do so.
6. In accordance with the permission in Regulation 41 of the Uncertified Securities Regulations 2001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company's share register at 10.00 a.m. on Monday 8 April 2007 shall be entitled to attend the Meeting and to vote in respect of the number of shares registered in their names at that time. Changes to entries in the share register after 10.00 a.m. on Monday 8 April 2007 shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting.
7. This proxy form must be signed by the shareholder or his/her attorney. Where the shareholder is a corporation, the signature must be under seal or signed by a duly authorised representative. In the case of joint holders, any one shareholder may sign this proxy form or may vote in person at the Meeting. If more than one joint holder is present at the Meeting either in person or by proxy, that one of them whose name stands first in the register of members in respect of a share shall alone be entitled to vote (whether in person or by proxy) in respect of it.
8. A register of the interests of each director in shares of the Company and copies of the directors' contracts of service are available for inspection at the registered office of the Company during normal business hours on any week day (Saturday, Sunday and public holidays excepted) up to and including the date of the Meeting and then at the place of the Meeting fifteen minutes prior to and until the close of the Meeting.

ADDRESSES AND ADVISERS

Evolutec Group plc

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London
SE1 2AQ
Registered number 05067291
www.evolutec.co.uk

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