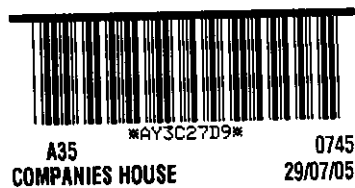


**Company Registration Number: 1366291**

**MICROGEN SOLUTIONS PLC**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2004**



## **COMPANY INFORMATION**

<b>Directors</b>	MS Phillips GE Liddle
<b>Secretary</b>	GE Liddle
<b>Company Number</b>	1366291
<b>Registered Office</b>	11 Park Street Windsor Berkshire SL4 1LU
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors 1 Embankment Place London WC2N 6RH

## MICROGEN SOLUTIONS PLC

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## Report of the directors for the year ended 31 December 2004

The directors present their annual report and the audited financial statements of Microgen Solutions plc for the year ended 31 December 2004.

### Principal activity

The principal activity of the Company during the year continued to be the provision of managed services, IT consultancy and contractor services primarily to the business community.

### Review of business

During the year, the Company acquired the trade and assets of two fellow group companies, Microgen Kaisha Limited and Microgen Management Consultancy (LIM) Limited, as part of the group's ongoing restructuring programme.

The reduction in turnover represents the transition out of the low margin contractor consulting business into high margin consultancy.

### Results, dividends and future developments

The Company's profit for the year was £4,958,000 (16 months ended 31 December 2003: loss of £1,792,000), which will be transferred to reserves. The Company did not pay a dividend during the year (2003: interim dividend of 0.5p per Ordinary share amounting to £61,000).

The directors believe that the Company will progress satisfactorily in the year 2005.

### Directors

The directors of the Company during the period and up to the date of signing the accounts were:

MR Ratcliffe (resigned 25 July 2005)  
 DJ Sherriff (resigned 25 July 2005)  
 GE Liddle  
 MS Phillips

### Directors' interest in shares

The directors had no interests in the shares of the Company or any other body corporate in the group that are required to be disclosed under Schedule 7 of the Companies Act 1985.

### Share options

MR Ratcliffe, D Sherriff and MS Phillips are also directors of Microgen plc, the ultimate parent undertaking, and their shareholdings therein are disclosed in the annual report of that company. GE Liddle's shareholdings in Microgen plc are disclosed below.

Director	Ordinary shares of 5p		Options over ordinary shares of 5p			
	31-Dec-03	31-Dec-04	31-Dec-03	Granted	Exercised	31-Dec-04
GE Liddle	2,000	2,000	200,000	-	-	200,000

Other than those interests disclosed above, no director had any interests required to be disclosed according to the Companies Act 1985.

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which 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.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the notes to the financial statements.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for preparing the financial statements on a going concern basis unless it is inappropriate to presume the Company will continue in business.

**Report of the directors for the year ended 31 December 2004 (continued)****Creditor payment policy**

The Company agrees terms and conditions for its business transactions with suppliers. Payment is then made in line with these terms, subject to the terms and conditions being met by suppliers. At 31 December, the average number of days of annual purchases represented by year end creditors was 37 days (31 December 2003: 30 days).

**Auditors**

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting.

By Order of the Board



GE Liddle, Secretary

28/7/05

## Independent auditors' report to the members of Microgen Solutions plc

We have audited the financial statements of Microgen Solutions plc on pages 4 to 13 for the year ended 31 December 2004, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical costs profits and losses and related notes to the accounts. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This report including the opinion, has been prepared for and only for the company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

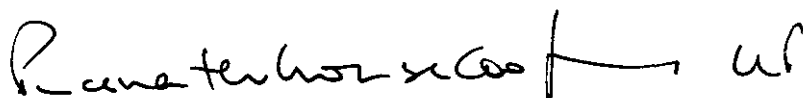
### Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



.....  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
West London

28 July 2005

## Profit and loss account for the year ended 31 December 2004

	Note	Year ended 31/12/04 £'000	16 months ended 31/12/03 £'000
<b>Turnover</b>	<b>2</b>	<b><u>8,940</u></b>	<b><u>22,648</u></b>
Operating costs	3	(6,958)	(23,722)
Exceptional operating costs	3	-	(1,666)
		<b><u>(6,958)</u></b>	<b><u>(25,388)</u></b>
Operating profit/ (loss) before exceptional operating costs		<b>1,982</b>	(1,074)
Exceptional operating costs		-	(1,666)
Operating profit/ (loss)		<b><u>1,982</u></b>	<b><u>(2,740)</u></b>
<b>Operating profit/ (loss)</b>		<b>1,982</b>	<b>(2,740)</b>
Income from shares in group undertakings	4	5,904	-
Other interest receivable and similar income	6	152	418
Amounts written off investments	12	(2,466)	-
<b>Profit/ (loss) on ordinary activities before taxation</b>		<b><u>5,572</u></b>	<b><u>(2,322)</u></b>
Tax (charge)/credit on profit/ (loss) on ordinary activities	8	(614)	591
<b>Profit/(loss) after taxation</b>		<b><u>4,958</u></b>	<b><u>(1,731)</u></b>
Equity dividend paid	9	-	(61)
<b>Retained profit/ (loss) for the financial year</b>		<b><u>4,958</u></b>	<b><u>(1,792)</u></b>

All amounts relate to continuing operations.

## Statement of total recognised gains and losses

	Year ended 31/12/04 £'000	16 months ended 31/12/03 £'000
Profit/ (loss) for the period	<b><u>4,958</u></b>	<b><u>(1,792)</u></b>
Unrealised surplus on revaluation of properties	-	393
Total gains and losses recognised since last annual report	<b><u>4,958</u></b>	<b><u>(1,399)</u></b>

## Note of historical cost profits and losses for the year ended 31 December 2004

	Year ended 31/12/04 £'000	16 months ended 31/12/03 £'000
Profit/(loss) on ordinary activities before taxation	5,572	(2,322)
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	9	-
Historical cost profit/(loss) on ordinary activities before taxation (note 11)	<b><u>5,581</u></b>	<b><u>(2,322)</u></b>
Historical cost profit/(loss) for the year retained after taxation and dividends	<b><u>4,967</u></b>	<b><u>(1,792)</u></b>

The notes on pages 6 to 13 form part of these financial statements.

## Balance Sheet as at 31 December 2004

	Note	As at 31/12/04 £'000	As at 31/12/03 £'000
<b>Fixed assets</b>			
Intangible assets	10	3,292	-
Tangible assets	11	2,650	2,343
Investments	12	<u>5,271</u>	<u>7,793</u>
		<u>11,213</u>	<u>10,136</u>
<b>Current assets</b>			
Debtors	13	11,088	8,770
Cash at bank and in hand	14	<u>10,292</u>	<u>1,442</u>
		21,380	10,212
<b>Creditors: Amounts falling due within one year</b>	15	<u>(11,994)</u>	<u>(4,727)</u>
<b>Net current assets</b>		<u>9,386</u>	5,485
<b>Total assets less current liabilities</b>		20,599	15,621
Provisions for liabilities and charges	16	(20)	-
<b>Net assets</b>		<u>20,579</u>	<u>15,621</u>
<b>Capital and reserves</b>			
Called up share capital	18	615	615
Share premium account	19	3,167	3,167
Other reserves	19	297	297
Revaluation reserve	19	384	393
Profit and loss account	19	<u>16,116</u>	<u>11,149</u>
<b>Total equity shareholders' funds</b>	20	<u>20,579</u>	<u>15,621</u>

The financial statements on pages 4 to 13 were approved by the Board on

28/7/2005

  
MS Phillips, Director



## Notes to the financial statements for the year ended 31 December 2004

## 1. Accounting policies

*Basis of accounting*

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

*Group accounts*

The Company is exempt under section 228 of the Companies Act 1985 from producing consolidated accounts as its immediate parent company, Microgen plc, is registered in England and Wales and produces publicly available consolidated accounts including the results of this company. As such, these financial statements present information about Microgen Solutions plc as an individual undertaking and not about its group.

*Turnover*

Revenues from consulting services are recognised at the time the service is performed. This is primarily done on a time and materials basis.

*Tangible fixed assets*

Tangible fixed assets are stated at cost, as modified by the revaluation of certain leasehold land and buildings, less depreciation.

*Revaluation*

It is the Company's policy to carry the leasehold land and buildings at current value. The Company undertakes a review of the current value annually and a detailed valuation by qualified independent surveyors every five years. The last review was made in November 2003.

*Depreciation*

Depreciation is provided so as to write off the historical purchase cost, or valuation, of tangible fixed assets over their estimated useful lives by equal annual instalments at the following rates:

Freehold and long leasehold buildings – 50 years  
 Leasehold improvements - 5 years  
 Motor vehicles – 4 years  
 Office equipment - 5 years  
 Computer equipment - 2 – 5 years

Estimation of useful economic life includes an assessment of the expected rate of technological developments and the intensity of at which the assets are expected to be used.

*Intangible assets*

Goodwill is capitalised on the balance sheet and amortised on a straight line basis over its useful economic life, which is assessed by the directors to be between 0 and 20 years. Provision is made for impairment if required.

*Leasing*

Tangible fixed assets acquired under finance leases are capitalised and the capital element of outstanding lease rentals is included in creditors. Depreciation is provided on the same basis as owned assets or over the unexpired portion of the lease if shorter. The interest element of lease rentals is charged in the profit and loss account. Operating lease rentals are charged in the profit and loss account as incurred.

*Pension costs*

The Company operates defined contribution pension schemes in respect of its employees. Contributions are based on basic earnings for the current period. The schemes are funded by payments to trustee-administered funds completely independent of the Company's finances. The charge for the period, representing contributions payable by the Company, amounted to £40,000 (2003: £348,000). No amounts were outstanding at the balance sheet date.

*Deferred taxation*

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

*Fixed asset investments*

Investments in subsidiaries are stated in the accounts of the Company at historical purchase cost less any provision for impairment.

*Cash flow statement*

The Company is a wholly owned subsidiary of Microgen plc and is included in the consolidated financial statements of Microgen plc which are publicly available (see note 24). As such, advantage has been taken of the exemption in Financial Reporting Standard 1 (revised 1996) not to produce a cash flow statement.

*Foreign currency translation*

Transactions in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into, exchange gains or losses thereon being included in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date.

## Notes to the financial statements for the year ended 31 December 2004 (continued)

## 2. Turnover

Turnover is attributable to the principal activity of the Company and represents the amounts chargeable to clients, excluding value added tax, in respect of services provided during the period. The geographical split of turnover was as follows:

	Year ended 31/12/04 £'000	16 months ended 31/12/03 £'000
UK	8,684	22,648
Rest of Europe	187	-
Rest of World	69	-
	<u>8,940</u>	<u>22,648</u>

## 3. Operating profit/ (loss)

Operating profit/ (loss) is arrived at after charging the following items:

	Year ended 31/12/04 £'000	16 months ended 31/12/03 £'000
Auditors' remuneration - audit	-	67
Profit on disposal of fixed assets	-	(24)
Depreciation of owned tangible fixed assets	102	332

For 2004, the audit fee for the Company is borne by fellow Microgen Group subsidiary, Microgen UK Limited

	Year ended 31/12/04 £'000	16 months ended 31/12/03 £'000
Operating costs comprise the following:		
Staff costs (see note 6)	6,935	21,713
Depreciation of owned tangible fixed assets	102	332
Other operating expenses	(79)	1,677
Exceptional operating costs - restructuring	-	1,128
- advisors fees	-	538
	<u>6,958</u>	<u>25,388</u>

The exceptional charges in 2003 relate to restructuring charges which followed the purchase of the Company by Microgen plc and advisor fees paid by the Company in respect of the recommended offer for the Company.

## 4. Income from shares in group undertakings

	Year ended 31/12/04 £'000	16 months ended 31/12/03 £'000
Dividends received	<u>5,904</u>	-
	<u>5,904</u>	-

## 5. Other Interest receivable and similar income

	Year ended 31/12/04 £'000	16 months ended 31/12/03 £'000
Interest receivable on bank deposits	152	194
Other interest receivable	-	224
	<u>152</u>	<u>418</u>

## Notes to the financial statements for the year ended 31 December 2004 (continued)

## 6. Staff costs

	Year ended 31/12/04 £'000	16 months ended 31/12/03 £'000
Wages and salaries	6,523	20,349
Social security costs	372	1,016
Other pension costs	40	348
	<u>6,935</u>	<u>21,713</u>

The average monthly number of persons employed by the Company was:

	Number	Number
Management, Finance and Administration	3	10
Sales	5	7
Consultants	<u>107</u>	<u>229</u>
	<u>115</u>	<u>246</u>

Microgen operates a policy whereby all UK employees are employed by one company (in 2004 the employing company was Microgen UK Limited) and the costs are recharged to the appropriate group company according to where the employee is deployed. The above numbers represent those employees working in the business of Microgen Solutions plc.

## 7. Directors' emoluments

	Year ended 31/12/04 £'000	16 months ended 31/12/03 £'000
Aggregate emoluments	-	543
Contributions to money purchase pension scheme in respect of nil directors (2003: 2 directors)	-	<u>22</u>
	<u>-</u>	<u>565</u>

Total compensation paid for the loss of office to directors was £Nil (2003: £135,919). No directors exercised options in the period (2003: 2 directors exercised options for a total gain of £3,616).

## 8. Taxation

	Year ended 31/12/04 £'000	16 months ended 31/12/03 £'000
(a) Analysis of charge/(credit) in the period		
Current taxation:		
UK corporation tax charge/ (credit)	352	(33)
Adjustments in respect of prior periods	<u>(38)</u>	<u>(115)</u>
Total current taxation charge/ (credit)	<u>314</u>	<u>(148)</u>
Deferred taxation:		
Origination and reversal of timing differences (note 17)	<u>300</u>	<u>(443)</u>
Total deferred taxation charge/ (credit)	<u>300</u>	<u>(443)</u>
Total taxation charge/ (credit) on loss on ordinary activities	<u>614</u>	<u>(591)</u>

## (b) Factors affecting tax charge/ (credit) for the period

The tax charge/ (credit) assessed for the year is at a lower rate (2003: Credit at a lower rate) than the standard rate of corporation tax in the UK (30%) (2003: 30%). The differences are explained as below:

Profit/ (loss) on ordinary activities before taxation	5,576	(2,322)
Corporation tax charge/ (credit) at the standard rate of tax of 30%	1,673	(697)
Effects of:		
Expenses not deductible for tax purposes	46	385
Depreciation (exceeded by)/ in excess of capital allowances	<u>(39)</u>	<u>8</u>
Adjustments in respect of prior periods	<u>(38)</u>	<u>(115)</u>
Write down of investments	739	-
Other timing differences	<u>(49)</u>	<u>271</u>
UK dividend income	<u>(1,773)</u>	<u>-</u>
Loss relief	<u>(245)</u>	<u>-</u>
Current tax charge/ (credit) for the year	<u>314</u>	<u>(148)</u>

## Notes to the financial statements for the year ended 31 December 2004 (continued)

## 9 Dividends

	Year ended 31/12/04 £'000	16 months ended 31/12/03 £'000
<b>Equity - ordinary</b>		
Interim – paid: Nil (2003: 0.5p) per ordinary share	<u>-</u>	<u>61</u>

## 10 Intangible fixed assets

	Total £'000
<b>Cost</b>	
At 1 January 2004	604
Additions	3,292
At 31 December 2004	<u>3,896</u>
<b>Amortisation</b>	
At 1 January 2004	(604)
Amortisation	-
Impairment	-
At 31 December 2004	<u>(604)</u>
<b>Net book amount</b>	
At 31 December 2003	-
At 31 December 2004	<u>3,292</u>

The additions relate to the purchased goodwill arising on the acquisition of the trade and assets of two subsidiary companies (see note 21). In accordance with FRS 11, Impairment of fixed assets and goodwill, the directors have reviewed the net book amount attributable to the acquisition of the trade and assets, and as a result of this review no impairment charge has been made (2003: £604,000) against the value of the goodwill.

## 11. Tangible fixed assets

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Office equipment £'000	Computer equipment £'000	Total £'000
<b>Cost</b>							
At 1 January 2004	15	2,570	25	760	167	550	4,087
Additions	240	-	337	-	72	-	649
Disposals	(240)	-	-	(760)	-	-	(1,000)
At 31 December 2004	<u>15</u>	<u>2,570</u>	<u>362</u>	<u>-</u>	<u>239</u>	<u>550</u>	<u>3,736</u>
<b>Depreciation</b>							
At 1 January 2004	7	238	25	760	164	550	1,744
Charge for the year	-	29	60	-	13	-	102
Disposals	-	-	-	(760)	-	-	(760)
At 31 December 2004	<u>7</u>	<u>267</u>	<u>85</u>	<u>-</u>	<u>177</u>	<u>550</u>	<u>1,086</u>
<b>Net book amount</b>							
At 31 December 2003	8	2,332	-	-	3	-	2,343
At 31 December 2004	<u>8</u>	<u>2,303</u>	<u>277</u>	<u>-</u>	<u>62</u>	<u>-</u>	<u>2,650</u>

The long leasehold land and buildings were last valued on 24<sup>th</sup> November 2003 by external advisors, Messrs Barton Rix Chartered Surveyors. The valuation was made in accordance with the RICS Appraisal and Valuation Manual pursuant to practice statement 1.2.

On an historical cost basis, long leasehold land and buildings above would be stated as follows:

Aggregate cost	£ 2,177,000
Accumulated depreciation	<u>£ (258,000)</u>
	<u>£ 1,919,000</u>

The depreciation that would be charged on an historical cost basis is £9,000 (2003: £Nil) less than that charged on the revalued amount for leasehold buildings.

## Notes to the financial statements for the year ended 31 December 2004 (continued)

## 12. Fixed asset investments

	Subsidiary undertakings £'000	Listed investments £'000	Total £'000
<b>Cost</b>			
At 1 January 2004	13,955	11	13,966
Additions	-	-	-
Disposals	(45)	(11)	(56)
<b>At 31 December 2004</b>	<b>13,910</b>	<b>-</b>	<b>13,910</b>
<b>Provision for impairment</b>			
At 1 January 2004	(6,173)	-	(6,173)
Charge for the year	(2,466)	-	(2,466)
<b>At 31 December 2004</b>	<b>(8,639)</b>	<b>-</b>	<b>(8,639)</b>
<b>Net book amount</b>			
At 31 December 2003	7,782	11	7,793
<b>At 31 December 2004</b>	<b>5,271</b>	<b>-</b>	<b>5,271</b>

During the year, the Company completed the acquisition of the remaining 22.25% of Microgen Management Consultancy (LIM) Limited for a total consideration of £211,020. This cost had been estimated at £256,000 in the previous period and this amount had been included in the cost of acquisition and accrued as deferred consideration at 31 December 2003. Consequently, £44,980 of the outstanding deferred consideration amount has been released in 2004 and is shown as 'Disposals' above.

The impairment charged in the year represents the write down of investments to the remaining net equity values of the companies, following recent group restructuring.

## Listed investments

	As at 31/12/04 £'000	As at 31/12/03 £'000
Investments at net book value include:		
Investments listed on a recognised stock exchange	-	11
Aggregate market value of listed investments	-	12

All listed investments were disposed of during the year at a market value of £12,000, realising a profit of £1,000.

The Company's principal trading subsidiaries undertake activities as described below and operate in their country of incorporation or registration. Direct investments are as follows:

Principal subsidiaries	Activity	Country	Equity - Ordinary shares	Year end
Microgen IQA Limited	Solutions	England & Wales	100%	31 December
MMT Computing (South-East) Limited	Non - trading	England & Wales	100%	31 December
Microgen Energy Trading Systems Limited	Pricing	England & Wales	100%	31 December
Microgen Cortex Limited	Financial Services	England & Wales	100%	31 December
MMT Computing (Thames Valley) Limited	Non - trading	England & Wales	100%	31 December
Summers Associates Limited	Non - trading	England & Wales	100%	31 December
Microgen Management Consultancy (LIM) Limited	Financial Services	England & Wales	100%	31 December
MMT Computing Inc	Non - trading	USA	100%	31 December
MMT Computing (Hypnosis) Limited	Non - trading	England & Wales	100%	31 December

## 13. Debtors

	As at 31/12/04 £'000	As at 31/12/03 £'000
Amounts falling due within one year:		
Trade debtors	1,181	2,529
Amounts owed by group undertakings	9,471	5,258
Other debtors	47	41
Corporation tax	-	193
Prepayments and accrued income	130	306
Deferred tax asset (note 17)	259	443
	<b>11,088</b>	<b>8,770</b>

## Notes to the financial statements for the year ended 31 December 2004 (continued)

## 14. Cash at bank and in hand

	As at 31/12/04 £'000	As at 31/12/03 £'000
Cash at bank and in hand	10,292	980
Short term deposits	-	462
	<u>10,292</u>	<u>1,442</u>

## 15. Creditors: falling due within one year

	As at 31/12/04 £'000	As at 31/12/03 £'000
Trade creditors	75	349
Amounts owed to group undertakings	9,154	1,229
Corporation tax	1,204	-
Other creditors	67	170
Other taxes and social security costs	316	282
Accruals and deferred income	1,178	2,697
	<u>11,994</u>	<u>4,727</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

## 16. Provision for liabilities and charges

Provisions for liabilities and charges relate to surplus properties and may be analysed as follows:

	£'000
At 1 January 2004	-
Transferred as part of acquired trade and assets (note 21)	20
<b>At 31 December 2004</b>	<b>20</b>

The provision covers costs associated with surplus and vacant property where rent and service charges are predominantly predetermined for the life of the lease. At the end of the lease the Company incurs dilapidation costs. An assessment of these costs has been included in the provision.

## 17. Deferred tax asset

	As at 31/12/04 £'000	As at 31/12/03 £'000
At 1 January 2004	443	-
Profit and loss account	(300)	443
Balances transferred as part of acquiring trade and assets	116	-
<b>At 31 December 2004</b>	<b>259</b>	<b>443</b>

Deferred taxation recognised in the accounts comprises the following:

	2004 £000	2003 £000
Accelerated capital allowances	167	169
Short term timing differences	92	274
	<u>259</u>	<u>443</u>

The directors consider it appropriate to recognise the deferred tax asset on the basis that they believe there will be sufficient taxable profits in the future with which to realise the asset.

## 18. Share capital

Ordinary shares of 5p each

	Number	Nominal Value £000
Equity interests		
Authorised:		
At 1 January 2004 and 31 December 2004	15,000,000	750
Allotted, called up and fully paid:		
At 1 January 2004 and 31 December 2004	12,303,192	615

## Notes to the financial statements for the year ended 31 December 2004 (continued)

## 19. Reserves

	Share premium account £000	Other reserves £000	Revaluation reserve £000	Profit and loss £000
At 1 January 2004	3,167	297	393	11,149
Retained profit for the financial year	-	-	-	4,958
Depreciation transfer	-	-	(9)	9
At 31 December 2004	<u>3,167</u>	<u>297</u>	<u>384</u>	<u>16,116</u>

## 20. Reconciliation of movements in shareholders' funds

	2004 £000	2003 £000
Opening equity shareholders' funds	15,621	16,892
Profit/ (loss) for the period	4,958	(1,731)
Equity dividend paid	-	(61)
Other recognised gains and losses for the financial period	-	393
Shares issued during the period	-	128
Closing equity shareholders' funds	<u>20,579</u>	<u>15,621</u>

## 21. Acquisition of business assets

On 31 December 2004, as part of an ongoing group restructuring programme, the Company acquired the business and assets of two companies, Microgen Kaisha Limited and Microgen Management Consultancy (LIM) Limited for a total consideration of £3,639,000. This acquisition cost, analysed by the assets acquired at book value, is shown below:

	Microgen Kaisha Limited £'000	Microgen Management Consultancy (LIM) Limited £'000
Fixed assets	6	-
Trade debtors	418	154
Other debtors	-	5
Cash	1	1,380
Deferred tax asset	110	6
Trade creditors	(16)	-
Taxation and social security costs	(1,456)	(188)
Accruals and deferred income	-	(53)
Provisions for liabilities and charges	(20)	-
	<u>(957)</u>	<u>1,304</u>
Goodwill (note 10)	2,977	315
Acquisition cost	<u>2,020</u>	<u>1,619</u>

## 22. Operating leases

	2004 £'000	2003 £'000
	Other than land and buildings	Other than land and buildings

At 31 December 2004 the Company had the following annual lease commitments which expire:

In years two to five inclusive	-	1
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**Notes to the financial statements for the year ended 31 December 2004 (continued)****23. Ultimate parent undertaking**

The Company is controlled by Microgen plc, a listed company registered in England and Wales, which is also the reporting entity's immediate and ultimate parent company. Microgen plc is the parent undertaking of the smallest and largest groups for which group accounts are prepared and of which the Company is a member. A copy of the published financial statements of Microgen plc can be obtained from the Company Secretary at the registered office of the Company.

Registered office: 11 Park Street, Windsor, Berkshire SL4 1LU

**24. Related party transactions**

The Company is a member of the Microgen plc group, whose consolidated financial statements are publicly available. As such advantage has been taken of the exemption in Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions and balances with other entities, 90% or more of whose voting rights are controlled within the group.