

Applied Imaging International Limited
Annual report
for the year ended 31 December 2000

Registered Number 1984637



Applied Imaging International Limited
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for the year ended 31 December 2000
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Applied Imaging International Limited

Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements of the company for the year ended 31 December 2000.

Principal activities

The principal activity of Applied Imaging International Limited is the manufacture and distribution of computer based imaging systems for the automation of laboratories in the field of cytogenetics and cancer pathology.

Review of business

Revenues from our principle cytogenetics business reached £4,889,203 in 2000.

The directors anticipate growth in the cytogenetics sector, and the launch of the MDS II system during 2001.

Fixed assets

The movement in tangible fixed assets is described in note 9 on page 12.

Research and development

The company has continued to focus the bulk of its R&D investment in the areas of detection and genetic analysis of rare cellular events. Target applications include the detection of minimum residual disease in cancer patients via bone marrow screening. These areas will continue to be the major focus of operating expenditure in 2001 culminating into the launch of the MDS II system.

Directors and their interests

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

J Blakemore (resigned 1 January 2000)
J Goldstein
L G Grant (resigned 1 January 2000)
P O Kelly (appointed 4 January 2000)
G Guidetti (resigned 20 November 2000)
C Hull (appointed 1 January 2000)

The director who has been appointed since the year end is:

B Hotchkies (appointed 12 February 2001)

According to the register of directors' interests, no director had an interest in the shares of the company during the year.

Political and charitable contributions

The company made no political or charitable contributions during the year (1999: £Nil).

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Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 2000 and that applicable accounting standards have been followed.

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

Auditors

A resolution to reappoint PricewaterhouseCoopers will be proposed at the annual general meeting.

On behalf of the Board



B Hotchkies
Director

April 19, 2002

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Independent auditors' report to the members of Applied Imaging International Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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 requirement and United Kingdom auditing standards issued by the Auditing Practices Board.

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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

29 April 2002

Applied Imaging International Limited

Profit and loss account for the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover	2	4,889,203	5,225,018
Cost of sales		(2,919,542)	(2,373,822)
Gross profit		1,969,661	2,851,196
Distribution costs		(2,030,770)	(1,850,934)
Administrative expenses		(1,068,112)	(1,776,554)
Other operating income	3	2,727,459	-
Operating profit/(loss)		1,598,238	(776,292)
Interest receivable and similar income	6	13,837	6,901
Interest payable and similar charges	7	(421,334)	(95,530)
Profit/(loss) on ordinary activities before taxation	3	1,190,741	(864,921)
Taxation on profit/(loss) on ordinary activities	8	-	-
Retained profit/(loss) for the financial year	15,16	1,190,741	(864,921)

All activities of the company are continuing.

The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the year stated above and their historical cost equivalents.

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Balance sheet as at 31 December 2000

	Note	2000 £	2000 £	1999 £	1999 £
Fixed assets					
Tangible assets	9		192,245		217,224
Current assets					
Stock	10	641,450		505,990	
Debtors	11	2,098,451		2,934,012	
Cash at bank and in hand		679,526		4,291	
		3,419,427		3,444,293	
Creditors: amounts falling due within one year	12	(4,308,943)		(5,504,226)	
Net current liabilities			(889,516)		(2,059,933)
Total assets less current liabilities			(697,271)		(1,842,709)
Provisions for liabilities and charges	13		(75,000)		(120,303)
Net liabilities			(772,271)		(1,963,012)
Capital and reserves					
Called up share capital	14		1,000,002		1,000,002
Share premium account	15		132,035		132,035
Capital contribution reserve	15		317,259		317,259
Profit and loss account	15		(2,221,567)		(3,412,308)
Equity shareholders' funds	16		(772,271)		(1,963,012)

The financial statements on pages 4 to 16 were approved by the board of directors on _____ and were signed on its behalf by:



P O'Kelly
Director

29 Apr 02
19
P.O.K.

Applied Imaging International Limited

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

The continuing operations of the company are dependent upon the financial support of the parent undertaking, Applied Imaging Corporation, which has indicated that it intends to support the operations of the company for the foreseeable future.

Cash flow statement

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

Foreign exchange

Transactions in foreign currencies during the year are translated into sterling at the rate of exchange ruling at the time the transactions take place. In arriving at the result for the year before taxation, account is taken of all gains or losses which either have been realised on settlement or are unrealised and arise on the translation of foreign currency assets and liabilities at the rate of exchange ruling at the balance sheet date.

Depreciation

Depreciation of tangible fixed assets is provided on a straight line basis at the following rates per annum:

Motor vehicles	-	33.3%
Fixtures, fittings and equipment	-	10 – 33.3%
Computer software	-	33.3%
Micro computer hardware	-	20 – 33.3%
Electronic equipment	-	33.3%
Demonstration assets	-	33.3%

Expenditure on repairs and renewals is written off in the year in which it is incurred.

Government grants

Grants related to revenue expenditure or job creation are credited to income in the period in which the expenditure occurs or the employment commences.

Capital based grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Research and development expenditure

Expenditure on research and development is written off in the year in which it is incurred, unless a commercial product has been identified. Development costs are then capitalised and written off over their estimated economic life from the date the product is launched.

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Leased assets

Assets acquired under finance leases are capitalised under tangible fixed assets and are depreciated over their useful economic lives. The relevant lease capital liability outstanding is included in creditors. Lease finance charges are charged to the profit and loss account.

The costs of operating leases are charged to profit and loss account as they arise.

Pension costs

The company operates a defined contribution scheme and contributions are charged to the profit and loss account as they become payable. The scheme is independent of the finances of the company.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises the purchase price of materials, direct labour costs and production overheads incurred up to the state of manufacture reached.

Product guarantees/warranties

Provision has been made for the estimated future cost of maintenance under guarantees in respect of products sold.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. The company recognises turnover on product sales upon shipment where receipt of cash is not contingent upon some other event. Contingent sales are deferred until the contingency crystallises. Expected hardware warranty expenses and product returns are accrued.

Other operating income

Other operating income represents the amounts derived from the intercompany agreements with the parent, Applied Imaging Corporation. The company recognises amounts received in relation to the sale of technology to, and research and development work conducted for the parent by the company.

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Notes to the financial statements for the year ended 31 December 2000

1 Basis of preparing the financial statements - going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

2 Turnover

The analysis of turnover by geographical area is as follows:

	2000	1999
	£	£
By geographical market		
United Kingdom	964,141	572,690
Rest of Europe	2,303,829	2,941,991
Rest of World	1,621,233	1,710,337
	4,889,203	5,225,018

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3 Profit/(loss) on ordinary activities before taxation

	2000	1999
	£	£
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration:		
Audit	21,000	21,110
Depreciation on tangible fixed assets	94,069	117,343
Hire of plant and machinery - operating leases	35,981	35,141
Hire of other assets - operating leases	96,084	96,884
Research and development expenditure	703,975	540,715
Exchange loss	349,321	114,151
Government grants	(144,658)	(62,271)
Sale of technology	(1,845,092)	-

Exceptional other operating income of £1,845,092 arose from the sale of technology to the parent company in 2000.

4 Directors' emoluments

	2000	1999
	£	£
Aggregate emoluments	214,129	134,534
Compensation for loss of office	-	103,640

The number of directors who received contributions from the company towards their pension were one (1999: one).

Highest paid director

	2000	1999
	£	£
Emoluments	121,313	-
Contributions to pension scheme	4,175	-
	125,488	-

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5 Employee information

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2000 Number	1999 Number
Production	8	6
Technical	9	8
Administration	6	7
Sales/marketing	17	17
	40	38

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Wages and salaries	1,301,382	1,206,679
Social security costs	185,004	138,103
Other pension costs (note 20)	44,773	49,654
	1,531,159	1,394,436

6 Interest receivable and similar income

	2000	1999
	£	£
Bank interest	13,837	6,901

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7 Interest payable and similar charges

	2000	1999
	£	£
On bank loan and overdraft	29,381	37,584
Net exchange loss	391,953	57,946
	421,334	95,530

8 Taxation

The loss on ordinary activities in the current year does not give rise to a corporation tax liability.

The company has tax losses, subject to agreement with the Inland Revenue, available for set-off against future trading profits of £998,672 (1999: £2,800,000).

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9 Tangible fixed assets

	Fixtures, fittings, tools and equipment £
Cost	
At beginning of year	652,401
Additions	71,409
Disposals	(147,776)
At end of year	576,034
Depreciation	
At beginning of year	435,177
Charge for year	94,069
Disposals	(145,457)
At end of year	383,789
Net book value	
At 31 December 2000	192,245
At 31 December 1999	217,224

10 Stocks

	2000 £	1999 £
Raw materials and consumables	356,185	272,150
Work in progress	80,049	8,310
Finished goods and goods for resale	168,701	167,754
Service stock	36,515	57,776
	641,450	505,990

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11 Debtors

	2000	1999
	£	£
Trade debtors	2,042,119	2,912,429
Other debtors	56,332	21,583
	2,098,451	2,934,012

12 Creditors: amounts falling due within one year

	2000	1999
	£	£
Bank overdraft	510,505	97,845
Payments received on account	26,160	-
Trade creditors	679,063	741,249
Amounts owed to parent undertaking	1,873,225	3,521,578
Other taxation and social security	91,328	66,947
Accruals and deferred income	1,128,662	1,076,607
	4,308,943	5,504,226

13 Provisions for liabilities and charges

	Guarantee provision £
At beginning of year	120,303
Utilised during the year	(36,884)
Charge for the year	85,284
Reversed during the year	(93,703)
At end of year	75,000

The provision is set up for potential warranty costs on products sold under the terms and conditions of the guarantee agreement within the sales contracts.

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14 Called up share capital

	2000 £	1999 £
Authorised		
Ordinary shares of £1 each	1,001,000	1,001,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	1,000,002	1,000,002

15 Reserves

	Profit and loss account £	Capital contribution reserve £	Share premium account £
At beginning of year	(3,412,308)	317,259	132,035
Profit for the year	1,190,741	-	-
At end of year	(2,221,567)	317,259	132,035

The capital contribution reserve comprises the capital element of a loan from the parent undertaking, which was waived in 1994 by the parent undertaking.

16 Movement in equity shareholders' funds

	2000 £	1999 £
At beginning of year	(1,963,012)	(1,098,091)
Profit/(loss) for the year	1,190,741	(864,921)
At end of year	(772,271)	(1,963,012)

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17 Deferred taxation

The amounts provided for deferred taxation and the potential assets/(liabilities) not provided, excluding tax losses, are set out below:

	2000		1999	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Capital allowances in excess of depreciation	-	(24,288)	-	(22,788)
Other	-	(32,915)	-	(12,698)
Losses	-	(311,808)	-	(858,556)
	-	(369,011)	-	(894,042)

18 Financial commitments

There were no capital commitments at the end of the financial year or preceding year for which no provision has been made.

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	2000		1999	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Between one and five years	150,020	20,431	150,020	34,307

19 Contingent liabilities

Grants received and receivable totalling £635,902 (1999: £590,015) may be reclaimed in part or in full if certain conditions are not satisfied.

The company has, in the normal course of business, entered into guarantees in respect of performance bonds to the value of £97,828.

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20 Pensions

The company operates a defined contribution pension scheme and also pays contributions to individual's own pension arrangements. The pension cost charge for the period represents contributions payable by the company to the funds and amounts to £44,773 (1999: £49,654). There were no accrued or prepaid contributions at the year end (1999: £Nil).

21 Related party transactions

As the company is a wholly owned subsidiary of Applied Imaging Corporation, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

22 Ultimate parent undertaking

The company is a wholly owned subsidiary of Applied Imaging Corporation, a company incorporated in the United States of America.

The largest group in which the results of the company are consolidated is that headed by Applied Imaging Corporation. The consolidated accounts of this company are available to the public and may be obtained from 2380 Walsh Avenue, Building B Santa Clara, California, 95051. No other group accounts include the results of the company.