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NOVO BIOLABS LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1988

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13 JAN 1990
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NOVO BIOLABS LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1988

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NOVO BIOLABS LIMITED

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the period ended 31ST DECEMBER 1988.

INCORPORATION, CHANGE OF NAME AND SHARE CAPITAL ISSUES

The Company was incorporated on 26th October 1987 under the name of Nicevital Limited with a share capital on subscription of 2 Ordinary £1 Shares. The name of incorporation was changed to Novo BioLabs Ltd on 16th December 1987. A further 98 Ordinary £1 Shares were issued for cash on 24th December 1987.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

On the 31st December 1987, the whole of the business and assets of I.Q. (Bio.) Limited, a fellow subsidiary, were acquired for a consideration of £7,809,630. The Company commenced to trade on 1st January, 1988.

The principal activities of the Company are the research, development and production of diagnostic tests for the human and veterinary markets.

On 10th March 1989 the Company acquired a controlling interest in Celltech Diagnostics Limited. This acquisition will strengthen the Group's product and customer base.

RESULTS AND DIVIDENDS

The loss for the year amounted to £2,825,520. The Directors do not recommend the payment of a dividend.


DIRECTORS

The Directors who held office during the period were:-

M Ovlisen
U V Lassen
D E Seymour
P R Harsant
K A Nielsen
P Upton
S Fryland
Instant Companies Limited
Abogado Custodians Limited
Abogado Nominees Limited

No Directors had any interest in the share capital of the company during the year.

BY ORDER OF THE BOARD



R J SPENCER
Secretary

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AUDITORS' REPORT TO THE MEMBERS OF
NOVO BIOLABS LIMITED

We have audited the financial statements on pages 4 to 18 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1988 and of its loss and source and application of funds for the period from 26 October 1987 to 31 December 1988 and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants

5 April 1989

NOVO BIOLABS LIMITED

ACCOUNTING POLICIES FOR THE PERIOD ENDED 31st DECEMBER 1988

BASIS OF ACCOUNTING

The financial statements have been prepared on the historical cost basis of accounting.

DEPRECIATION

Depreciation is charged on all tangible and intangible fixed assets on a straight line basis at rates determined to reduce their cost to their residual value over their estimated useful lives. The principal annual rates are shown below:-

Property Improvements	- 35%
Office fixtures & equipment	- 20%
Plant and equipment	- 20% to 30%
Motor vehicles	- 25%
Know How	- 10%

All patent costs are written off as incurred.

RESEARCH AND DEVELOPMENT

Research and development expenditure of a revenue nature is treated as a trading expense of the accounting period in which it is incurred.

TURNOVER

Turnover represents the invoiced value of goods and services supplied net of Value Added Tax.

GRANTS RECEIVED

Grants received from third parties are taken to the Profit and Loss Account in the period in which they are received.

STOCK

Stock is valued at the lower of cost or net realisable value.

NOVO BIOLABS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31st DECEMBER 1988

		Period Ended 31st December
	Notes	1988 £
TURNOVER	1	754,763
Net operating expenses	2	2,726,086
		<hr/>
NET OPERATING LOSS		(1,971,323)
Investment income	5	25,309
Interest payable	6	(879,506)
		<hr/>
Loss on ordinary activities before taxation		(2,825,520)
Taxation	7	-
		<hr/>
LOSS FOR THE PERIOD		£(2,825,520)
		<hr/>

NOVO BICLABS LIMITED**BALANCE SHEET AS AT 31ST DECEMBER 1988**

	Notes	31st December 1988 £
FIXED ASSETS		
Intangible Assets	8	5,833,003
Tangible Assets	9	621,911
Investment in Subsidiary	11	100
		<hr/>
		6,455,014
		<hr/>
CURRENT ASSETS		
Stock	12	117,300
Debtors	13	209,207
Investments	14	34,395
Cash at bank		19,403
		<hr/>
		380,305
CREDITORS		
Amounts falling due within 1 year	15	981,975
		<hr/>
NET CURRENT LIABILITIES		(601,670)
		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,853,344
		<hr/>
CREDITORS		
Amounts falling due after more than one year	16	8,678,764
		<hr/>
NET LIABILITIES		£(2,825,420)
		<hr/> <hr/>

BALANCE SHEET AS AT 31ST DECEMBER 1988


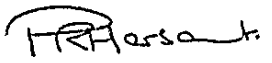
REPRESENTED BY:

CAPITAL AND RESERVES

Called up share capital	17	100
Profit and Loss Account	18	(2,825,520)

£(2,825,420)

The financial statements on pages 4 to 18 were approved by the Board of Directors on 5th April 1989 and were signed on its behalf by:-

	D E Seymour)
	P R Harsant)
) Directors

NOVO BIOLABS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE PERIOD ENDED 31ST DECEMBER 1988

	Period Ended 31st December
	1988 £
SOURCE OF FUNDS	
Loss for the period before taxation	(2,825,520)
Adjustment for items not involving the movement of funds:-	
Depreciation of tangible assets	280,459
Depreciation of intangible assets	648,000
	<hr/>
	(1,897,061)
OTHER SOURCES	
Disposal of fixed assets	117,265
Issue of shares	100
Loan from fellow subsidiary	8,678,764
	<hr/>
TOTAL SOURCES	6,899,068
	<hr/>
APPLICATION OF FUNDS	
Purchase of business (Note 19)	7,809,630
Tangible assets acquired	460,257
Purchase of shares in subsidiary	100
	<hr/>
TOTAL APPLICATION OF FUNDS	8,269,987
	<hr/>
NET APPLICATION	£(1,370,919)
	=====

THE NET APPLICATION OF FUNDS IS REPRESENTED BY
THE FOLLOWING DECREASE IN
WORKING CAPITAL:-

	Period Ended 31st December 1988 £
Stock	24,600
Debtors	76,762
Creditors falling due within one year	(213,283)
	<hr/>
	(111,921)
Movement in net liquid funds:	
Cash at bank	(743,338)
Bank overdraft	(515,660)
	<hr/>
Decrease in working capital	£(1,370,919) =====

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NOVO BIOLABS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 1988

	Period Ended 31st December 1988 £
1. TURNOVER	
Diagnostic products & materials	682,299
Contract research	72,464
	<hr/>
	£754,763
	<hr/>
2. NET OPERATING EXPENSES	
Other operating income -	
Grants receivable (Note 3)	(110,758)
Licence Income	(23,688)
	<hr/>
	(134,446)
Other Operating Expenses:	
Chemical reagents and equipment	207,978
Change in stock	(24,600)
Royalties	42,950
Staff costs (Note 4)	964,727
Depreciation of intangible assets	648,000
Depreciation of tangible assets	280,459
Auditors' remuneration	8,606
Other operating charges	732,412
	<hr/>
	£2,726,086
	<hr/>
3. OTHER OPERATING INCOME -	
GRANTS RECEIVED	
From Department of Industry	£110,758
	<hr/>

4. DIRECTORS AND EMPLOYEES

The average weekly number of persons (including Directors) employed by the company during the period was:

	Period Ended 31st December 1988
Production & Quality Assurance	26
Research & Development	16
Finance, Administration & Marketing	20
	—
	62
	—
	£
Staff costs (for the above persons):	
Wages, salaries + compensation payments	785,771
Social Security Costs	77,005
Other pension costs	6,115
Welfare, recruitment and training	95,836
	—
	£964,727
	—

Staff costs include the following remuneration in respect of directors:

Fees	12,900
Other emoluments (including pension contributions and benefits in kind)	67,469
	—
	£80,369
	—

The Directors' remuneration referred to above includes amounts paid to:

The Chairman	Nil
The highest paid director	£47,468

The number of Directors (including the Chairman and the highest paid Director) who received fees and other emoluments (excluding pension contributions) in the following ranges were:

£0	-	£5,000	7
£5,000	-	£10,000	1
£15,000	-	£20,000	1
£45,000	-	£50,000	1

The Company has a contract to pay £20,000 per annum consultancy fees to DES Associates Limited, a company in which D E Seymour has an interest.

5. INVESTMENT INCOME

Period Ended
31st December 1988

Income from current asset investments	4,180
Bank interest receivable	21,129
	<hr/>
	£25,309
	<hr/>

6. INTEREST PAYABLE

Interest charged on loan from associated company repayable within 5 years (note 16)	869,134
Bank interest	6,502
Bank charges	3,870
	<hr/>
	£879,506
	<hr/>

7. TAXATION

The company has substantial unrelieved taxation losses available to carry forward to future periods.

In the opinion of the directors there is no potential deferred tax liability

8. INTANGIBLE ASSETS

Acquired from associated Company
Depreciation charge

Know How	Patents	Trade Marks	Total
6,480,803	100	100	6,481,003
647,800	100	100	648,000
<hr/>			
£5,833,003	£-	£-	£5,833,003
<hr/>			

Net Book Value at 31st December
1988

9. TANGIBLE FIXED ASSETS

COST

Acquired from IQ (Bio) Ltd
at 31st December 1987

Additions

Disposals

Transfer to Group Company

Transfer from Group Company

At 31st December 1988

Property Improvements	Plant & Equipment	Office Equipment	Motor Cars	Total
£	£	£	£	£
97,862	763,903	39,364	109,665	1,010,794
16,229	354,800	11,129	43,740	425,898
-	(71,693)	-	(90,634)	(162,327)
-	(29,761)	-	-	(29,761)
-	20,367	-	28,158	48,525
114,091	1,037,616	50,493	90,929	1,293,129

DEPRECIATION

Acquired from IQ (Bio) Ltd
at 31st December 1987

Charge for year

Eliminated on disposals

Transfer to Group Company

Transfer from Group

Company

63,980	307,987	24,099	55,350	451,416
29,629	215,113	9,070	26,647	280,459
-	(16,049)	-	(58,774)	(74,823)
-	-	-	-	-
-	-	-	14,166	14,166

93,609 507,051 33,169 37,389 671,218

NET BOOK VALUE

At 31st December 1988

£20,482	£530,565	£17,324	£53,540	£621,911
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10. CAPITAL COMMITMENTS

There was no capital expenditure authorised or contracted for as at
31st December 1988.

11. INVESTMENT IN SUBSIDIARY

A wholly owned subsidiary, Doublecape Limited, was acquired on 27th September 1988. This subsidiary is currently dormant.

12. STOCK

	31st December 1988 £
Stock comprises: Diagnostic Kits, Components and Chemicals	117,300

13. DEBTORS

Trade Debtors	57,967
VAT receivable	31,519
Inter-company accounts	100,771
Other debtors	60
Prepayments and accrued income	18,890

£209,207

14. INVESTMENTS

The investments, which are listed on the UK Stock Exchange, have a market value at 31st December 1988 of £34,005.

15. CREDITORS: Amounts falling due within one year:

Bank overdraft	515,660
Trade Creditors	204,595
Inter-company accounts	100,824
Taxation and Social Security	24,195
Accruals	136,701

£981,975

16. CREDITORS: Amounts falling due between one year and five years:

Loan from fellow subsidiary at 31st December 1987	7,809,630
Interest charged	869,134
	<hr/>
AT 31ST DECEMBER 1988	£8,678,764
	<hr/> <hr/>

The consideration for the transfer of assets from IQ (Bio) Limited in December 1987 of £7,809,630 was converted into a loan repayable at any time after 31st December 1988 on delivery of a notice to repay. Any sum outstanding will attract interest at the rate of 1% above the base rate from time to time of Barclays Bank PLC. The directors of IQ (Bio) Ltd have undertaken not to demand repayment prior to 31st December 1989.

17. CALLED UP SHARE CAPITAL

Authorised	Number	£
Ordinary Shares of £1.00 each	1000	1000
	<hr/>	<hr/>
Allotted, called up and fully paid		
Ordinary Shares of £1.00 each	100	100
	<hr/>	<hr/>

2 shares of £1 each were issued to the subscribers. On 24th December 1987, a further 98 shares of £1 each were issued and allotted. All shares were issued at par for cash.

18. PROFIT AND LOSS ACCOUNT

	Profit and Loss Account
Loss for the year	2,825,520
	<hr/>
at 31st December 1988	£2,825,520
	<hr/>

19. PURCHASE OF BUSINESS

On the 31st December 1987, the whole of the business and assets of I.Q. (Bio.) Limited, a fellow subsidiary, were acquired for a consideration of £7,809,630.

The transfer values of assets acquired from IQ (Bio) Limited were:

	£
Fixed Tangible Assets (Note 9)	559,378
Stock	92,700
Debtors	132,445
Cash at Bank	762,741
Marketable Securities	34,395
Creditors falling due within 1 year	(243,501)
Balance due to Parent Company	(9,531)
	<hr/>
	1,328,627
Patents	100
Trade Marks	100
Know How	6,480,803
	<hr/>
	£7,809,630
	=====

20. POST BALANCE SHEET EVENTS

Issue of New Shares:

The authorised share capital of the Company was increased on 3rd February 1989 from £1,000 to £4,001,000 by the creation of an additional £4,000,000 Ordinary Shares of £1 each.

On the same day, 3,000,000 shares were issued for cash at par, the proceeds of which were partly applied by the Company on 10th March 1989 to acquire a controlling interest in Celltech Diagnostics Limited.

21. CONTINGENT LIABILITIES

	1988
Guarantees	£34,116
	<hr/>

22. ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Novo Industri A/S Limited. The ultimate holding Company is Novo Industri A/S, registered in Denmark.

23. PERIOD OF ACCOUNT

These accounts cover the period from the date of incorporation, 26th October 1987, to 31st December 1988.