



REGISTRAR OF COMPANIES

MOLECULAR LIGHT TECHNOLOGY LIMITED

Report and Financial Statements

31 December 1997

**Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF2 1TS**



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REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Dr J S Woodhead

Dr I Weeks

L J D Bell

H L Nordoff (appointed 25 July 1997)

R J Morgan (appointed 25 July 1997)

L F J Rees (appointed 25 July 1997)

SECRETARY

Dr I Weeks

REGISTERED OFFICE

5 Chiltern Close

Cardiff Industrial Park

Cardiff

CF4 5DL

BANKERS

Barclays Bank Plc

AUDITORS

Deloitte & Touche

Chartered Accountants

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of a holding company with subsidiaries engaged in the development of immunodiagnostic technology particularly in the field of chemiluminescence.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The group's results for the year and future prospects are considered to be satisfactory.

DIVIDENDS

The directors have proposed final dividend payments of £5,000 for 'b' shares (£200 per ordinary share) and £21,250 for 'c' shares (£101.67 per ordinary share). All other shareholders have waived their dividend rights.

RESEARCH AND DEVELOPMENT

The group continues an active programme of research and development. Research and development costs are written off in the year in which they are incurred.

DIRECTORS AND THEIR INTEREST

The directors of the company, who served throughout the year unless otherwise stated, and their interests in the shares of the company at 31 December 1997 and 1 January 1997 are:

	31 December 1997	1 January 1997
	No of shares	No of shares
Dr J S Woodhead	374 'A' Ordinary	374 'A' Ordinary
Dr I Weeks	143 'A' Ordinary	143 'A' Ordinary
J L D Bell	8 'A' Ordinary	8 'A' Ordinary
H L Nordoff (appointed 25 July 1997)	-	-
R J Morgan (appointed 25 July 1997)	-	-
L F J Rees (appointed 25 July 1997)	-	-

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors will be proposed at the forthcoming Annual General Meeting.



DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare 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 that period. In preparing those financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors
and signed on behalf of the Board

Dr I Weeks
Secretary

Date.....

21st September 1998



Chartered Accountants

Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff CF2 1TS

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AUDITORS' REPORT TO THE MEMBERS OF MOLECULAR LIGHT TECHNOLOGY LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 and the group'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 affairs of the company and the group as at 31 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants
and Registered Auditors

Date 23 September 1998.



CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1997

	Note	£	1997 £	1996 £
TURNOVER: continuing operations	2		2,003,678	3,801,851
Cost of sales			(811,499)	(1,665,325)
GROSS PROFIT			1,192,179	2,136,526
Distribution costs		56,399		74,527
Administration expenses		527,385		676,567
			(583,784)	(751,094)
OPERATING PROFIT: continuing operations	4		608,395	1,385,432
Income from other investments		72,586		9,375
Other interest receivable and similar income		124,502		139,573
Interest payable and similar charges	5	(308)		(1,636)
Provision against diminution in value of investments		(15,000)		-
			181,780	147,312
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			790,175	1,532,744
Tax on profit on ordinary activities	6		258,516	495,376
PROFIT FOR THE FINANCIAL YEAR			531,659	1,037,368
Dividends	7		26,250	-
RETAINED PROFIT FOR THE FINANCIAL YEAR			<u>505,409</u>	<u>1,037,368</u>

There are no recognised gains or losses for the current and prior years other than as stated above.



STATEMENT OF MOVEMENTS ON RESERVES
Year ended 31 December 1997

	Share premium £	Profit and loss account £
THE GROUP		
Balance at 1 January 1997	58,168	1,344,463
Profit for the year	-	505,409
Balance at 31 December 1997	<u>58,168</u>	<u>1,849,872</u>
 THE COMPANY		
Balance at 1 January 1997	58,168	1,402,425
Profit for the year	-	723,828
Balance at 31 December 1997	<u>58,168</u>	<u>2,126,253</u>



CONSOLIDATED BALANCE SHEET
31 December 1997

	Note	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible assets	10		200,355		156,273
CURRENT ASSETS					
Debtors	11	1,685,663		2,031,054	
Cash at bank and in hand		350,125		954,660	
Investments	12	5,050,324		5,016,609	
		<u>7,086,112</u>		<u>8,002,323</u>	
CREDITORS - amounts falling due within one year	13	<u>1,510,315</u>		<u>1,819,376</u>	
NET CURRENT ASSETS			<u>5,575,797</u>		<u>6,182,947</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,776,152		6,339,220
CREDITORS - amounts falling due after more than one year	14		(3,853,868)		(4,925,078)
PROVISION FOR LIABILITIES AND CHARGES	15		<u>(13,015)</u>		<u>(10,282)</u>
			<u>1,909,269</u>		<u>1,403,860</u>
CAPITAL AND RESERVES					
Called up share capital	16		1,229		1,229
Share premium			58,168		58,168
Profit and loss account			<u>1,849,872</u>		<u>1,344,463</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>1,909,269</u>		<u>1,403,860</u>

These financial statements were approved by the Board of Directors on 21.9.98

Signed on behalf of the Board

J S Woodhead

Director

PARENT COMPANY - BALANCE SHEET
31 December 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Investments	9	<u>1,118</u>	<u>1,118</u>
CURRENT ASSETS			
Debtors	11	2,167,161	1,262,382
Cash at bank and in hand		55,905	699,340
Investments	12	<u>5,050,324</u>	<u>5,016,609</u>
		<u>7,273,390</u>	<u>6,978,331</u>
CREDITORS: amounts falling due within one year	13	<u>(5,088,858)</u>	<u>(5,517,627)</u>
NET CURRENT ASSETS		<u>2,184,532</u>	<u>1,460,704</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>2,185,650</u></u>	<u><u>1,461,822</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	1,229	1,229
Share premium account		58,168	58,168
Profit and loss account		<u>2,126,253</u>	<u>1,402,425</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u><u>2,185,650</u></u>	<u><u>1,461,822</u></u>

These financial statements were approved by the Board of Directors on 21.9.98

Signed on behalf of the Board of Directors

J S Woodhead



Director

Date.....21.9.98.....



NOTES TO THE ACCOUNTS
Year ended 31 December 1997

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents development programme income and licencing fees receivable and the sales value in respect of goods supplied during the year, after deduction of trade discounts and value added tax.

Licensing fees

Licensing fees receivable and payable are recognised in the profit and loss account in the period to which they relate. Licensing fees received or paid in respect of future periods are deferred until those periods (see notes 10 and 13).

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiaries.

Investments

Investments held as fixed assets are stated at cost less provision for any diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The estimated useful lives are as follows:

Computers	4 years
Equipment	10 years
Motor vehicles	4 years
Buildings improvements	over the term of the lease

Pension costs

The company operates a defined contribution pension scheme for directors and staff. Pension costs represent amounts payable on behalf of directors and staff to the scheme in respect of the accounting period.

Patents and licences

Expenditure on patents and license is written off in the year in which it is incurred.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

1 ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease rentals in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal amounts over the lease term.

Foreign currency

All transactions denominated in foreign currencies are translated into sterling at the actual rates of exchange ruling at the date of the transactions. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

All exchange differences are dealt with through the profit and loss account.

Capital grants

Capital grants received are treated as deferred income, with transfers being made to the profit and loss account based on the expected useful lives of the related fixed assets. Revenue grants are credited to the profit and loss account in the same period as the related costs are charged to the profit and loss account.

2 TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deductions of trade discounts and value added tax.

Geographical analysis of turnover

	1997	1996
	£	£
United Kingdom	67,576	27,547
Europe	1,632	8,595
United States of America	1,934,470	3,765,709
	<u>2,003,678</u>	<u>3,801,851</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997	1996
	£	£
Directors' emoluments		
Other emoluments	<u>69,210</u>	<u>259,821</u>
 Remuneration of the highest paid director	<u>31,440</u>	<u>56,050</u>
	1997	1996
	No	No
Average number of persons (including directors) employed by the group during the year was:	<u>10</u>	<u>11</u>
Staff costs incurred during the year in respect of these employees were:	1997	1996
	£	£
Wages and salaries	205,448	362,040
Social Security costs	20,684	37,320
Other pension costs	64,860	68,317
	<u>290,992</u>	<u>467,677</u>

4 OPERATING PROFIT

	1997	1996
	£	£
Operating profit is after charging:		
Research and development	48,642	40,377
Depreciation		
Owned assets	31,357	24,634
Leased assets	14,754	14,754
Rentals under operating leases		
Other operating leases	18,494	17,759
Auditors' remuneration	10,000	3,990
 and after crediting:		
Profit on disposal of owned assets	<u>-</u>	<u>1,750</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	1997	1996
	£	£
Finance leases	308	1,636
Provision against diminution in value of investments	15,000	-
	<u>15,308</u>	<u>1,636</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
United Kingdom corporation tax at 31 % (1996 - 33 %)	240,308	493,016
Tax on franked investment income	14,517	1,875
Deferred tax	2,733	485
Adjustments to prior years' tax provision		
Corporation tax	958	-
	<u>258,516</u>	<u>495,376</u>

7 DIVIDENDS

	1997 £	1996 £
"b" shares - £200 per ordinary share	5,000	-
"e" shares - £101.67 per ordinary share	21,250	-
	<u>26,250</u>	<u>-</u>

All other shareholders have waived their rights to dividends.

8 PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £723,828 (1996 - £515,727).

9 INVESTMENTS HELD AS FIXED ASSETS

	The Company 1997 £	1996 £
Shares in group subsidiaries (note 17)	<u>1,118</u>	<u>1,118</u>


NOTES TO THE ACCOUNTS
 Year ended 31 December 1997

10 TANGIBLE FIXED ASSETS

	Computers £	Improvements to buildings £	Equipment £	Motor vehicles £	Total £
THE GROUP					
Cost					
At 1 January 1997	22,139	7,506	188,481	59,014	277,140
Additions in year	1,198	4,850	84,145	-	90,193
	<u>23,337</u>	<u>12,356</u>	<u>272,626</u>	<u>59,014</u>	<u>367,333</u>
Accumulated depreciation					
At 1 January 1997	13,521	7,505	75,118	24,723	120,867
Charge in year	4,297	-	27,060	14,754	46,111
	<u>17,818</u>	<u>7,505</u>	<u>102,178</u>	<u>39,477</u>	<u>166,978</u>
Net book value					
At 31 December 1997	<u>5,519</u>	<u>4,851</u>	<u>170,448</u>	<u>19,537</u>	<u>200,355</u>
At 31 December 1996	<u>8,618</u>	<u>1</u>	<u>113,363</u>	<u>34,291</u>	<u>156,273</u>

The net book value of fixed assets includes £Nil (1996 - £19,756) in respect of assets held under hire purchase agreements.

11 DEBTORS

	The Group		The Company	
	1997	1996	1997	1996
	£	£	£	£
Trade debtors	126,856	189,772	-	-
Amounts owed by subsidiary	-	-	2,160,597	1,252,380
Other debtors	34,177	46,263	6,564	10,002
Prepayments and accrued income	1,524,630	1,795,019	-	-
	<u>1,685,663</u>	<u>2,031,054</u>	<u>2,167,161</u>	<u>1,262,382</u>

Included in prepayments and accrued income is an amount of £1,156,170 which is due in more than one year and relates to licensing fees payable to UWCM (see note 13).

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

12 CURRENT ASSET INVESTMENTS

**Other
investments
£**

Cost	
As at 1 January 1997	5,016,609
Additions	148,715
Disposals	(100,000)
	<hr/>
At 31 December 1997	5,065,324
	<hr/>
Provisions	
As at 1 January 1997	-
Diminution in year	15,000
	<hr/>
As at 31 December 1997	15,000
	<hr/>
Net book value	
As at 31 December 1997	<u>5,050,324</u>
	<hr/>
As at 31 December 1996	<u>5,016,609</u>

Included in other investments are listed investments with a cost of £2,209,651 and a market value of £2,309,926.

13 CREDITORS: Amounts falling due within one year

	The Group		The Company	
	1997	1996	1997	1996
	£	£	£	£
Obligations under finance leases and hire purchase contracts	-	7,558	-	-
Trade creditors	8,370	57,944	-	-
Amounts owed to subsidiary undertakings	-	-	5,024,204	5,491,494
Corporation tax	241,266	493,016	29,958	24,249
Accruals and deferred income (see note 13)	1,213,147	1,215,272	1,884	1,884
Other creditors including tax and Social Security	47,532	45,586	32,812	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>1,510,315</u>	<u>1,819,376</u>	<u>5,088,858</u>	<u>5,517,627</u>


NOTES TO THE ACCOUNTS

Year ended 31 December 1997

14 CREDITORS: Amounts falling due after one year

	The Group		The Company	
	1997	1996	1997	1996
	£	£	£	£
Accruals and deferred income	3,853,868	4,925,078	-	-
	<u>3,853,868</u>	<u>4,925,078</u>	<u>-</u>	<u>-</u>

The group has previously received monies under arrangements with a licensee in the US which included a royalty advance. The unearned portion as at 31 December 1997 is £4,933,722 is included in accruals and deferred income, £3,853,868 of which is due after more than one year. 30% of the income is payable to UCWM and this payment has been treated on the same basis at the receipt (see note 10).

15 PROVISIONS FOR LIABILITIES AND CHARGES

The Group	Balance at 1 January 1997 £	Charged to profit and loss account £	Applied £	Balance at 31 December 1997 £
Deferred taxation	<u>10,282</u>	<u>2,733</u>	<u>-</u>	<u>13,015</u>

The amounts of deferred taxation provided and unprovided in the accounts are:

	Provided 1997 £	Provided 1996 £	Not Provided 1997 £	Not Provided 1996 £
Accelerated capital allowances	<u>13,015</u>	<u>10,282</u>	<u>(18,151)</u>	<u>(1,537)</u>
16 CALLED UP SHARE CAPITAL			1997 £	1996 £
Authorised, called up, allotted and fully paid:				
645 'a' ordinary shares of £1.00 each			645	645
25 'b' ordinary shares of £1.00 each			25	25
153 'c' ordinary shares of £1.00 each			153	153
197 'd' ordinary shares of £1.00 each			197	197
209 'e' ordinary shares of £1.00 each			209	209
			<u>1,229</u>	<u>1,229</u>

The "a", "b", "c", "d" and "e" shares rank pari passu in all respects except that dividends may be recommended and declared on the "c" ordinary shares without a like dividend being voted on the other shares.

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

17 ADDITIONAL INFORMATION ON SUBSIDIARIES

Subsidiary	Country of incorporation/ registration and operation	Activity	Portion of ordinary shares held
Molecular Light Technology Research Limited	Wales	Development of immunodiagnostic technology	100%
Bioanalysis Limited	Wales	Development of immunodiagnostic technology	100%

18 RELATED PARTY TRANSACTIONS

Mr J L D Bell was a partner in the solicitors practice of Bell & Co. during the year to 31 December 1997. In the year the group was charged by Bell & Co £21,875 (1996 - £113,500).

Dr J S Woodhead and Dr I Weeks were amongst the original inventors of patents in respect of immunodiagnostic technology. Fifty percent of monies paid to UWCM in respect of these patents is payable to the original inventors. Dr J S Woodhead and Dr I Weeks receive 33.3% and 22.2% respectively of amounts paid to the inventors. These payments continue in perpetuity.

Dr J S Woodhead and Dr I Weeks received £43,544 (1996 - £488,448) and £29,029 (1996 - £325,632) respectively from UWCM in respect of inventors fees during the year to 31 December 1997.

19 CAPITAL COMMITMENTS

The group is committed to the purchase of new premises, at a cost of £1,010,000.