

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended 31 March 1995.

RESULTS AND DIVIDENDS

The loss for the year after taxation, amounted to £355,142 (15 months ended 31 March 1994 (restated): £322,704). The directors do not recommend a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the period continued to be the research, development and sale of biotechnologically based industrial waste treatments.

During the year Viridian has restructured its business into Strategic Business Units to cover each area of operation and so develop the unique skills needed to run each area effectively. The business units cover Research and Development through the commercialisation of technology to its core business which remains the treatment of industrial wastes.

Viridian is set to launch a new patented approach to the treatment of Fats, Oils and Greases in liquid effluent and the micro biological treatment of contaminated land for both organics and heavy metals.

We continue to fund focussed research into areas where biotechnology can produce an economic alternative for the treatment of complex waste problems.

FUTURE DEVELOPMENTS

The directors intend that the company will continue in its current sphere of activities for the foreseeable future.

FIXED ASSETS

The changes in fixed assets during the year are summarised in note 8 to the accounts.

DIRECTORS AND THEIR INTERESTS

		<i>At 31 March 1995 10p ordinary shares</i>	<i>At 31 March 1994 10p ordinary shares</i>
J Bird	(Chairman)	12,000	12,000
N D Higon	(Managing Director)	-	-
D J Baughen	(resigned 20 October 1994)	-	-
R F Turner	(appointed 20 October 1994)	-	-
S E Ion		-	-
Professor C J Knowles		32,000	32,000
Dr C M Lucas	(resigned 13 January 1995)	17,000	17,000
M Rose		-	-
T Williams	(resigned 30 March 1995)	-	-
R D Collins	(appointed 30 March 1995)	-	-

No share options were granted to, or exercised by the directors during the year.



Viridian Bioprocessing Limited

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board

A handwritten signature in dark ink, appearing to read 'A J Shuttleworth', written over a horizontal line.

A J Shuttleworth
Secretary

14 July 1995

Viridian Bioprocessing Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

REPORT OF THE AUDITORS
to the members of Viridian Bioprocessing Limited

We have audited the accounts on pages 6 to 16 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9 and 10.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

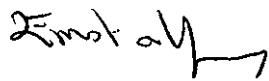
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor

London 24 August 1995

Viridian Bioprocessing Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1995

		Year ended 31 March 1995	15 months ended 31 March 1994 As restated
	Notes	£	£
TURNOVER			
Cost of sales	2	566,098 (365,564)	550,518 (371,876)
Gross profit		200,534	178,642
Administrative expenses		(530,112)	(500,974)
TRADING LOSS		(329,578)	(322,332)
Interest receivable on bank deposits		12,022	12,876
Interest payable	6	(37,586)	(13,248)
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION			
Retained loss brought forward - as previously stated	3,5	(355,142)	(322,704)
Prior period adjustment		(1,030,809)	(740,107)
		(12,839)	19,163
As restated		(1,043,648)	(720,944)
RETAINED LOSS CARRIED FORWARD		(1,398,790)	(1,043,648)

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £355,142 in the year ended 31 March 1995 and loss of £322,704 in the 15 months ended 31 March 1994.

Viridian Bioprocessing Limited

BALANCE SHEET

at 31 March 1995

	Notes	31 March 1995 £	31 March 1994 As restated £
FIXED ASSETS			
Tangible assets	8	122,463	166,718
CURRENT ASSETS			
Stock	9	14,824	2,645
Debtors	10	213,384	73,637
Cash at bank and in hand		121,312	320,407
CREDITORS: amounts falling due within one year	11	349,520 (185,188)	396,689 (159,056)
NET CURRENT ASSETS		164,332	237,633
TOTAL ASSETS LESS CURRENT LIABILITIES		286,795	404,351
CREDITORS: amounts falling due after more than one year			
Convertible debt	12	1,194,425	956,839
CAPITAL AND RESERVES			
Called up share capital	13	92,600	92,600
Share premium account	14	398,560	398,560
Profit and loss account	14	(1,398,790)	(1,043,648)
SHAREHOLDERS' FUNDS		(907,630)	(552,488)
		286,795	404,351

On behalf of the board of directors

N D Higton

14 July 1995

Viridian Bioprocessing Limited

STATEMENT OF CASH FLOWS

for the year ended 31 March 1995

		<i>Year ended 31 March 1995 £</i>	<i>15 months ended 31 March 1994 £</i>
	<i>Notes</i>		
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	17a	(373,326)	(254,161)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		12,022	12,876
TAX PAID		-	-
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(37,791)	(60,899)
NET CASH OUTFLOW BEFORE FINANCING		(399,095)	(302,184)
FINANCING			
Issue of ordinary share capital	13	-	(300,000)
Issue of loan notes	12	(200,000)	(200,000)
NET CASH INFLOW FROM FINANCING		(200,000)	(500,000)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	17b	(199,095)	197,816
		(399,095)	(302,184)

Viridian Bioprocessing Limited

NOTES TO THE ACCOUNTS

at 31 March 1995

1. ACCOUNTING POLICIES

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

Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their useful economic lives as follows:

Leasehold improvements	-	life of lease
Plant and machinery	-	3 to 5 years
Fixtures and fittings	-	3 to 5 years

Government grants

Revenue grants received from the government are credited to the profit and loss account in the period in which the revenue expenditure to which they relate is charged.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value as follows:

Raw materials	-	purchase cost on a first-in first-out basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Leases

The rental charges for operating leases are charged to the profit and loss account as they are incurred.

Pensions scheme

Contributions made by the company to the pension scheme on behalf of employees are charged to the profit and loss account as they are incurred.

Research and development expenditure

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses which are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Viridian Bioprocessing Limited

NOTES TO THE ACCOUNTS

at 31 March 1995

1. ACCOUNTING POLICIES (continued)

Taxation

Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Cash flow statement

The company no longer qualifies as a small company and has prepared a cash flow statement, including comparatives, as required under Financial Reporting Standard 1.

Change in accounting period end date

Following the acquisition of a majority shareholding in Viridian Bioprocessing Limited by British Nuclear Fuels plc, herein after called BNFL, in October 1993, Viridian Bioprocessing Limited has changed its accounting period to end on 31 March (previously 31 December) so as to be coterminous with that of the parent company. The results presented herein are for the 12 months to 31 March 1995 and comparatives are for the 15 months to 31 March 1994.

Convertible debt interest

Interest on convertible debt is recognised in the profit and loss account at a rate calculated to give a constant rate of return on the outstanding balance.

This represents a change of accounting policy in order to comply with Financial Reporting Standard 4: Capital Instruments. Comparative amounts have therefore been amended as appropriate.

2. TURNOVER

Turnover represents the amounts (excluding value added tax) derived during the period from one principal continuing activity, the provision of industrial waste treatments to customers.

3. LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION

This is stated after charging/(crediting):

	<i>Year ended 31 March 1995 £</i>	<i>15 months ended 31 March 1994 £</i>
Government grants	(51,041)	(69,001)
Auditors remuneration - audit	4,500	4,500
- other services	-	-
Depreciation	82,046	87,968
Operating lease rentals - plant and machinery	45,295	13,656
- land and buildings	33,500	41,875
Research and development expenditure	664,864	544,342

Viridian Bioprocessing Limited

NOTES TO THE ACCOUNTS

at 31 March 1995

4. REMUNERATION OF DIRECTORS

	<i>Year ended 31 March 1995 £</i>	<i>15 months ended 31 March 1994 £</i>
Directors' emoluments		
As directors	123,683	81,940
Amounts paid to third parties in respect of directors' services	26,445	21,703
Compensation for loss of office	22,500	-
	<u>172,628</u>	<u>103,643</u>

The emoluments, excluding pension contributions, of the chairman were £4,330 (15 months ended 31 March 1994: £5,412) and those of the highest paid director were £51,129 (15 months ended 31 March 1994: £54,324).

Included in debtors is an interest free loan of £10,000 to a director (N D Higon). This loan was made in connection with her relocation to the company and was authorised by the shareholders at the company's annual general meeting on 20 October 1994.

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	<i>Year ended 31 March 1995 No.</i>	<i>15 months ended 31 March 1994 No.</i>
£Nil - £5,000	7	5
£5,001 - £10,000	-	1
£10,001 - £15,000	-	1
£15,001 - £20,000	-	1
£35,001 - £40,000	1	-
£40,001 - £45,000	1	-
£50,001 - £55,000	1	1

Emoluments of £Nil (15 months ended 31 March 1994: £11,376) have been waived by Nil (15 months ended 31 March 1994: 3) directors.

Viridian Bioprocessing Limited

NOTES TO THE ACCOUNTS

at 31 March 1995

5. STAFF NUMBERS AND COSTS

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

	<i>Year ended 31 March 1995 No.</i>	<i>15 months ended 31 March 1994 No.</i>
Commercial and administration	6	6
Research and development	16	9
	<u>22</u>	<u>15</u>

The aggregate payroll costs of these persons were as follows:

	<i>Year ended 31 March 1995 £</i>	<i>15 months ended 31 March 1994 £</i>
Wages and salaries	388,952	326,328
Social security costs	37,767	35,272
Other pension costs	17,622	17,519
	<u>444,341</u>	<u>379,119</u>

6. INTEREST PAYABLE

	<i>Year ended 31 March 1995 £</i>	<i>15 months ended 31 March 1994 As restated £</i>
On 5% unsecured convertible loan notes	<u>37,586</u>	<u>13,248</u>

7. TAXATION

No corporation tax liability arises on the loss to 31 March 1995. Losses of approximately £1,380,000 (15 months ended 31 March 1994: £1,223,000) are available for relief against future profits for corporation tax purposes.

Viridian Bioprocessing Limited

NOTES TO THE ACCOUNTS

at 31 March 1995

8. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Fixture and fittings</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 31 March 1994	15,696	282,673	30,333	328,702
Additions	-	33,764	4,027	37,791
At 31 March 1995	<u>15,696</u>	<u>316,437</u>	<u>34,360</u>	<u>366,493</u>
Depreciation:				
At 31 March 1994	8,024	142,047	11,913	161,984
Charge for period	3,552	71,585	6,909	82,046
At 31 March 1995	<u>11,576</u>	<u>213,632</u>	<u>18,822</u>	<u>244,030</u>
Net book value:				
At 31 March 1995	<u>4,120</u>	<u>102,805</u>	<u>15,538</u>	<u>122,463</u>
At 31 March 1994	<u>7,672</u>	<u>140,626</u>	<u>18,420</u>	<u>166,718</u>

9. STOCKS

	<i>31 March 1995</i>	<i>31 March 1994</i>
	£	£
Raw materials and consumables	<u>14,824</u>	<u>2,645</u>

The difference between purchase price of stocks and replacement cost is not material.

10. DEBTORS

	<i>31 March 1995</i>	<i>31 March 1994</i>
	£	£
Trade debtors	49,201	11,025
Amounts owed by parent undertaking	110,429	22,736
Amounts recoverable on contracts	20,199	15,100
Other debtors	11,859	9,536
Prepayments and accrued income	21,696	15,240
	<u>213,384</u>	<u>73,637</u>

Other debtors includes £7,222 which is repayable after more than one year.

Comparatives have been amended to disclose separately amounts owed by the parent undertaking previously included within trade debtors.

Viridian Bioprocessing Limited

NOTES TO THE ACCOUNTS

at 31 March 1995

11. CREDITORS: amounts falling due within one year

	31 March 1995	31 March 1994
	£	£
Payments on account on long term contracts	3,800	51,445
Trade creditors	76,892	68,640
Amounts owed to parent undertaking	42,559	-
Tax and social security	12,016	10,681
Other creditors	17,518	-
Accruals and deferred income	32,403	28,290
	<u>185,188</u>	<u>159,056</u>

12. CONVERTIBLE DEBT

	31 March 1995	31 March 1994 <i>As restated</i>
	£	£
5% unsecured convertible loan notes	1,144,000	944,000
Accrued interest	50,425	12,839
	<u>1,194,425</u>	<u>956,839</u>

The loan notes were issued for cash in order to provide working capital for the company. They are redeemable in full at par on 31 March 2000. At any time on or prior to that date they may be converted, at the option of the note holder, into fully paid ordinary shares of 10p each, at the rate of one share for every £6 of loan notes.

13. SHARE CAPITAL

	31 March 1995	31 March 1994
	£	£
<i>Authorised</i>		
Ordinary shares of 10p each	<u>128,667</u>	<u>121,667</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 10p each	<u>92,600</u>	<u>92,600</u>

During the year the company increased its authorised share capital by the creation of 70,000 Ordinary 10p shares.

Viridian Bioprocessing Limited

NOTES TO THE ACCOUNTS

at 31 March 1995

13. SHARE CAPITAL (continued)

The directors and employees held the following options to subscribe for 10p ordinary shares in the company.

<i>Date granted</i>	<i>Dates exercisable</i>	<i>At end of year</i>	<i>At beginning of year or date of participation</i>	<i>Option price £</i>
9 August 1991	9 August 1994 - 8 August 2001	2,250	7,750	3
18 December 1991	18 December 1994 - 17 December 2001	4,000	14,000	3
2 December 1994	2 December 1997 - 1 December 2004	3,600	3,600	0.35

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Convertible loan notes £</i>	<i>Share capital £</i>	<i>Share premium £</i>	<i>Profit & loss account £</i>	<i>Total £</i>
At 1 January 1993					
- as previously stated	744,000	32,600	158,560	(740,107)	195,053
Prior period adjustment	(19,163)	-	-	19,163	-
As restated	724,837	32,600	158,560	(720,944)	195,053
Accrued interest	32,002	-	-	-	32,002
Loss for the period	-	-	-	(322,704)	(322,704)
Issue of loan notes	200,000	-	-	-	200,000
Issue of shares	-	60,000	240,000	-	300,000
At 31 March 1994	956,839	92,600	398,560	(1,043,648)	404,351
Accrued interest	37,586	-	-	-	37,586
Loss for the period	-	-	-	(355,142)	(355,142)
Issue of loan notes	200,000	-	-	-	200,000
At 31 March 1995	1,194,425	92,600	398,560	(1,398,790)	286,795

15. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

Viridian Bioprocessing Limited

NOTES TO THE ACCOUNTS

at 31 March 1995

16. OTHER FINANCIAL COMMITMENTS

The company is committed to make operating lease payments in the year ending 31 March 1995 as follows:

	<i>1995</i>	<i>Land and buildings</i>	<i>1995</i>	<i>Other</i>
	<i>£</i>	<i>1994</i>	<i>£</i>	<i>1994</i>
		<i>£</i>		<i>£</i>
Leases which expire:				
Within one year	6,000	6,000	-	5,462
Within two to five years	-	-	33,036	-
After more than five years	33,473	27,500	-	-
	<u>39,473</u>	<u>33,500</u>	<u>33,036</u>	<u>5,462</u>

17. STATEMENT OF CASH FLOWS

a) Reconciliation of trading loss to net cash outflow from operating activities:

	<i>Year ended 31 March 1995</i>	<i>15 months ended 31 March 1994</i>
	<i>£</i>	<i>£</i>
Trading loss	(329,578)	(322,332)
Depreciation	82,046	87,968
Increase in stock	(12,179)	(2,645)
Increase/(decrease) in debtors	(139,747)	(28,197)
Increase in creditors	26,132	11,045
Net cash outflow from operating activities	<u>(373,326)</u>	<u>(254,161)</u>

b) Cash and cash equivalents

	<i>Year ended 31 March 1995</i>	<i>15 months ended 31 March 1994</i>
	<i>£</i>	<i>£</i>
Cash at bank and in hand		
At 1 April 1994	320,407	122,591
Net cash inflow (outflow)	<u>(199,095)</u>	<u>197,816</u>
At 31 March 1995	<u>121,312</u>	<u>320,407</u>

18. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is British Nuclear Fuels plc, which is incorporated in Great Britain. Group accounts may be obtained from the following address, British Nuclear Fuels plc, Risley, Warrington, Cheshire WA3 6AS.