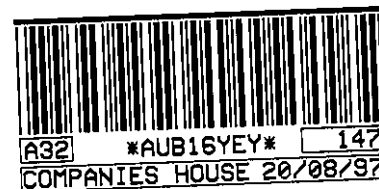


GENETIX LIMITED

Report and Financial Statements

31 December 1996



**Deloitte & Touche
Chartered Accountants
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ**

REPORT AND FINANCIAL STATEMENTS 1996

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M A Reid
D J Reid

SECRETARY

M A Reid

REGISTERED OFFICE

9 Airfield Road
Christchurch
Dorset
BH23 3TG

BANKERS

Barclays Bank Plc
61 Old Christchurch Road
Bournemouth
Dorset
BH1 1ER

SOLICITORS

Turners
Wessex House
Wimborne
Dorset
BH21 1PN

Blake Lapthorn
21 Cumberland Place
Southampton
SO15 2BB

AUDITORS

Deloitte & Touche
Chartered Accountants
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

ACTIVITIES

The principal activity of the company is the design and manufacture of products for the Biotechnology Industry.

DIRECTORS AND THEIR INTERESTS

The present directors are shown on page 1. All directors served throughout the year. Their interests in the shares of the company held at 31 December 1996 and at 31 December 1995 were as follows:

	Ordinary shares of £1 each	
	1996	1995
M A Reid	42	42
D J Reid	41	41

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 as at the end of the financial year and of its profit or loss 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; and
- prepare the financial statements 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 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

Mr T A Hague resigned as auditor of the company on 30 December 1996 and was replaced by Deloitte & Touche. Deloitte & Touche will be proposed for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

EXEMPTIONS

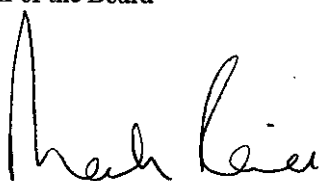
In preparing the above report, the directors have taken advantage of special exemptions applicable to small companies provided by Part II of Schedule 8 to the Companies Act 1985.

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

M A REID

Director

Date:



15th August 1997



Chartered Accountants

Deloitte & Touche
Mountbatten House
1 Grosvenor Square
Southampton SO15 2BE

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International + 44 1703 334124
Fax (Gp. 3): 01703 330948

AUDITORS' REPORT TO THE MEMBERS OF GENETIX LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 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 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 as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985 applicable to small companies.

Deloitte & Touche

DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors

Date: *15 August 1997*

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1996

	Note	1996 £	1995 £
TURNOVER: continuing operations	2	1,602,351	942,495
Cost of sales		904,114	601,615
Gross profit		698,237	340,880
Administrative expenses		290,638	180,965
OPERATING PROFIT: continuing operations	3	407,599	159,915
Other interest receivable and similar income		13,481	3,716
Interest payable and similar charges		(1,225)	(1,112)
		12,256	2,604
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		419,855	162,519
Tax on profit on ordinary activities	4	131,932	41,425
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		287,923	121,094
Dividends paid	5	24,000	14,400
RETAINED PROFIT FOR THE FINANCIAL YEAR	14	263,923	106,694

There are no recognised gains and losses for the current and prior years other than as stated above. Accordingly a statement of total recognised gains and losses has not been prepared.

BALANCE SHEET
31 December 1996

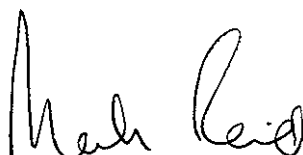
	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	6	42,211	25,629
CURRENT ASSETS			
Stocks		87,041	10,525
Debtors	7	374,739	140,651
Investments	8	273,618	281,383
Cash at bank and in hand		323,718	59,401
		<u>1,059,116</u>	<u>491,960</u>
CREDITORS: amounts falling due within one year	9	<u>(677,575)</u>	<u>(352,053)</u>
NET CURRENT ASSETS		<u>381,541</u>	<u>139,907</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		423,752	165,536
CREDITORS: amounts falling due after more than one year	10	<u>(3,071)</u>	<u>(8,778)</u>
NET ASSETS		<u>420,681</u>	<u>156,758</u>
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account	14	420,581	156,658
TOTAL EQUITY SHAREHOLDERS' FUNDS	15	<u>420,681</u>	<u>156,758</u>

The directors have taken advantage of special exemptions conferred by Part I of Schedule 8 to the Companies Act 1985 applicable to small companies in the preparation of the accounts and have done so on the grounds that, in their opinion, the company qualifies as a small company.

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

15 August 1997

M A REID
Director



NOTES TO THE ACCOUNTS

For the year ended 31 December 1996

1. ACCOUNTING POLICIES

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and operating profit is attributable to the principal activities of the company.

Depreciation

Depreciation is provided at the following annual rates in order to write off the cost of each asset over its estimated useful life:

Plant and machinery	25-50% per annum straight line
Motor vehicles	25% per annum straight line
Fixtures and fittings	25% per annum straight line

The estimated useful lives of fixed asset categories of plant and machinery and fixtures and fittings have been revised during the year. The effect of the change of depreciation rate from 15 % straight line to those stated above has resulted in an increase in the depreciation charge for the year of £1,267.

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

Investments

Investments held as current assets are stated at the lower of cost and net realisable value.

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 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 in proportion to the capital element outstanding.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the date ruling at the date of the transaction. Adjustments resulting from exchange fluctuations have been reflected in the profit and loss account.

2. TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amounted to £1,423,004 (1995 : £716,674).

NOTES TO THE ACCOUNTS
For the year ended 31 December 1996

3. OPERATING PROFIT

	1996	1995
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation:		
Owned assets	2,555	3,933
Leased assets	6,232	955
Auditors' remuneration	2,750	2,000
	<u>2,750</u>	<u>2,000</u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996	1995
	£	£
United Kingdom corporation tax at 31.3% (1995 - 25.5%)	132,140	41,425
Adjustments to prior years' tax provisions:		
Corporation tax	(208)	-
	<u>131,932</u>	<u>41,425</u>

5. DIVIDENDS

	1996	1995
	£	£
Ordinary shares		
Dividends paid - £240 per share (1995- £144)	24,000	14,400
	<u>24,000</u>	<u>14,400</u>

NOTES TO THE ACCOUNTS
For the year ended 31 December 1996

6. TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Office fixture and fittings £	Total £
Cost				
At 1 January 1996	3,089	24,930	3,657	31,676
Additions	23,432	-	1,937	25,369
At 31 December 1996	26,521	24,930	5,594	57,045
Accumulated depreciation				
At 1 January 1996	477	5,092	478	6,047
Charge for the year	1,236	6,232	1,319	8,787
At 31 December 1996	1,713	11,324	1,797	14,834
Net book value				
At 31 December 1996	24,808	13,606	3,797	42,211
At 31 December 1995	2,612	19,838	3,179	25,629

The net book value of motor vehicles includes £13,606 (1995 : £19,838) in respect of assets held under hire purchase contracts.

7. DEBTORS

	1996 £	1995 £
Trade debtors	340,115	117,096
Other debtors	34,624	23,555
	<u>374,739</u>	<u>140,651</u>

All debtors are due within one year.

8. INVESTMENTS

	1996 £	1995 £
Other investments	<u>273,618</u>	<u>281,383</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Trade creditors	147,654	99,966
Amounts owed to associated companies	60,869	11,143
Other creditors	<u>469,052</u>	<u>240,944</u>
	<u>677,575</u>	<u>352,053</u>

NOTES TO THE ACCOUNTS
For the year ended 31 December 1996

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £	1995 £
Obligations under hire purchase contracts	3,071	8,778

The obligations under hire purchase contracts are secured on the related assets.

11. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	1996 £	1995 £
Obligations under hire purchase contracts are analysed as follows:		
Within one year	5,707	6,494
Between one and two years	3,071	5,707
Between two and five years	-	3,071
	8,778	15,272

The obligations under hire purchase contracts are secured on the related assets.

12. PROVISIONS FOR LIABILITIES AND CHARGES

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 1996 £	Provided 1995 £	Not provided 1996 £	Not provided 1995 £
Capital allowances in excess of depreciation	-	-	731	1,158

13. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised:		
2,000 ordinary shares of £1 each	2,000	2,000
Called up, allotted and fully paid:		
100 ordinary shares of £1 each	100	100

14. PROFIT AND LOSS ACCOUNT

	1996 £	1995 £
At 1 January 1996	156,658	49,964
Profit for the year	263,923	106,694
At 31 December 1996	420,581	156,658

NOTES TO THE ACCOUNTS
For the year ended 31 December 1996

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit on ordinary activities after taxation	287,923	121,094
Dividends	24,000	14,400
Net addition to shareholders' funds	263,923	106,694
Opening shareholders' funds at 1 January 1996	156,758	50,064
Closing shareholders' funds at 31 December 1996	420,681	156,758

16. ULTIMATE CONTROLLING PARTY

Mr M A Reid and Mrs D J Reid are the ultimate controlling parties of the company by virtue of their equal direct shareholdings in Genetix Limited and their controlling interests in Plastic Injection Limited, a company which owns 34% of the ordinary share capital of Genetix Limited.

17. RELATED PARTY TRANSACTIONS

During the year, intercompany trading on normal commercial terms between Genetix Limited and its associated company, Plastic Injection Limited, amounted to sales of £11,897 and purchases of £170,350. Rent of £7,200 and recharges in respect of accountancy services of £12,104 are included in the profit and loss account for services provided by Plastic Injection Limited. Amounts owed to Plastic Injection Limited at the year end of £60,869 are included within creditors (note 9).

Intercompany trading on normal commercial terms between Genetix Limited and The Fastener Warehouse Limited, a company in which M A Reid has a material interest, amounted to sales of £1,762 and purchases of £2,493. At the year end, the balances due to and from The Fastener Warehouse Limited of £475 and £2,071 are included within creditors (note 9) and debtors (note 7) respectively.