

GENETIX LIMITED

Report and Financial Statements

31 December 2006



REPORT AND FINANCIAL STATEMENTS 2006

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REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M A Reid
A J Kellett
Prof J F Burke

SECRETARY

S C Hedger

REGISTERED OFFICE

Queensway
New Milton
Hampshire
BH25 5NN

BANKERS

Barclays Bank plc
PO Box 612
Ocean Way
Southampton
SO14 2ZP

SOLICITORS

Olswang
90 High Holborn
London
WC1V 6XX

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Southampton, United Kingdom

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

PRINCIPAL ACTIVITY

The principal activity of the company is the design and manufacture of automated systems and related products for use in systems biology

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company traded satisfactorily throughout the year under review and the directors are confident that the company will continue to grow and provide profitable returns

RESEARCH AND DEVELOPMENT

The company continues an active programme of research and development, the costs of which in the year amounted to £1,633,696 (2005 £1,237,829) New and improved products are continuing to be developed

RESULTS AND DIVIDENDS

The results for the year are set out in detail on page 7 Dividends paid in the year amounted to £nil (2005 £1,500,000) and no final dividend is proposed

RISKS AND UNCERTAINTIES

We are subject to the same general risks and uncertainties as any other business, for example, the impact of changes in general economic conditions including currency and interest rate fluctuations and the impact of competition, the impact of natural disasters and sourcing of materials Senior management conducts regular risk reviews at which time the likelihood and impact of risks are assessed Outlined below is a description of the principal risks and uncertainties that are specific to our business

Competitors

Product innovation is essential to retain a competitive edge There are threats that our competitors can launch new products into our markets before we can effectively respond, thus resulting in lost sales To reduce this risk we continually invest in R&D and undertake market and customer research In addition, some of Genetix' competitors in certain markets are larger and have greater financial resources This may enable them to deliver products on more attractive terms or to invest larger amounts in R&D

The company also invests in maintaining a patent portfolio to protect our investment in products and technology We regularly monitor the markets we serve to identify any potential violations of our patents and will take legal action where necessary

Key markets

The continued organic growth of our business is underpinned by our key market, the United States Any material decline in the performance of this market may impact future growth and profitability

Commercial relationships

The company benefits from close commercial relationships with a number of key customers and suppliers Damage to or loss of any of these relationships could have a negative effect on results To reduce this risk the company ensures it maintains a close working relationship with its customers at the sales, technical/scientific and support levels Regular meetings and reviews are also held with our key suppliers

Manufacturing

The company's manufacturing facilities could be disrupted by events outside of its control such as fire The company has a detailed contingency plan to ensure, as much as possible, business continuity with all relevant employees appropriately trained The company also maintains appropriate general commercial insurance policies

The company's products could also be affected by the introduction of regulations, such as those relating to environmental issues The company monitors regulations to the effect that they may have an impact on its operations and takes appropriate external advice on compliance

DIRECTORS' REPORT (continued)

Employees

The company continually seeks to recruit and retain talented employees who ultimately contribute to our success. In addition the company has certain individuals who have extensive knowledge of markets and customers and R&D. The company undertakes employee attitude surveys and seeks, with employee involvement, to address specific areas.

Exchange rates

As at 31 December 2006, the company was committed to forward exchange contracts totalling US\$5 million at an average rate of £/\$1 8625, all maturing before 31 December 2007. 44% of sales for the year are denominated in US dollars.

HEALTH, SAFETY AND THE ENVIRONMENT

The company is committed to the maintenance of high standards of practice concerning the health and safety of its employees. The company recognises its legal obligations in this respect and compliance with such obligations and a number of policies on such matters are monitored through a health and safety committee. The company is sensitive to the needs of the environment. Such matters are considered in the context of the company's environmental policy which is described in the Group's Annual Report.

EMPLOYMENT OF DISABLED PERSONS

In considering applications for employment from disabled people the company seeks to ensure that fair consideration is given to the abilities and aptitudes while having regard to the requirements of the job for which he or she has applied. Employees who become unable to carry out the job for which they are employed are given individual consideration, and depending on the nature, severity and duration of the disability, may be considered for alternative work.

EMPLOYEE INVOLVEMENT

The company is committed to a policy of developing employee involvement and awareness on matters of concern to all employees. Information is disseminated through formal and informal meetings, written communications and notices.

Consultation procedures exist with staff covering such matters as health and safety and other areas connected with their employment.

The company has established discretionary and sharesave share option schemes with the objective of giving employees an opportunity to invest in the future of the company, encouraging a sense of involvement and aligning employees' interests with those of shareholders.

DIRECTORS AND THEIR INTERESTS

The following directors served during the year. No director had any interests in the shares of the company during the year.

M A Reid

T Bell (resigned 11 January 2006)

G S Corsi (resigned 31 January 2006)

Dr S Richards (resigned 20 January 2006)

A J Kellett (appointed 27 March 2006)

Prof J F Burke (appointed 30 January 2006)

M A Reid, A J Kellett and Prof J F Burke are also directors of Genetix Group plc, the ultimate parent undertaking, and accordingly their interests in the share capital of that company are shown in its financial statements.

DIRECTORS' REPORT (continued)

AUDITORS

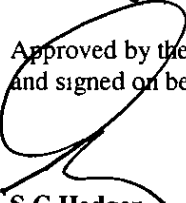
In the case of each of the persons who are directors of the company at the date when this report was approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined in the Companies Act 1985) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

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



S C Hedger
Secretary

11 June 2007

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. 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,
- state whether applicable accounting standards have been followed, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENETIX LIMITED

We have audited the financial statements of Genetix Limited for the year ended 31 December 2006, which comprise the profit and loss account, the balance sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 circumstances of the company, 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Southampton, United Kingdom
19 June 2007

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2006

	Note	2006 £	2005 £
TURNOVER: continuing operations	2	13,434,905	12,047,510
Cost of sales		<u>(7,131,627)</u>	<u>(6,396,712)</u>
GROSS PROFIT		6,303,278	5,650,798
Administrative expenses		<u>(3,986,614)</u>	<u>(3,672,396)</u>
OPERATING PROFIT: continuing operations	3	2,316,664	1,978,402
Interest receivable and similar income		73,617	42,188
Interest payable and similar charges	5	<u>(2,938)</u>	<u>(6,488)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,387,343	2,014,102
Tax on profit on ordinary activities	6	<u>(486,626)</u>	<u>(403,308)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,900,717	1,610,794
Dividends paid	7	<u>-</u>	<u>(1,500,000)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	17, 18	<u>1,900,717</u>	<u>110,794</u>

There are no recognised gains and losses for the current and prior year other than as stated above. Accordingly a statement of total recognised gains and losses is not presented.

BALANCE SHEET
At 31 December 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Intangible assets	8	230,392	173,882
Tangible assets	9	2,172,396	2,177,622
Investments	10	46,317	46,317
		<u>2,449,105</u>	<u>2,397,821</u>
CURRENT ASSETS			
Stocks	11	1,186,813	1,464,064
Debtors	12	5,018,784	2,696,630
Cash at bank and in hand		<u>2,680,809</u>	<u>2,769,641</u>
		8,886,406	6,930,335
CREDITORS: amounts falling due within one year	13	<u>(3,356,438)</u>	<u>(3,329,271)</u>
NET CURRENT ASSETS		<u>5,529,968</u>	<u>3,601,064</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,979,073	5,998,885
CREDITORS: amounts falling due after more than one year	14	(193,949)	(115,881)
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(441,387)</u>	<u>(439,984)</u>
NET ASSETS		<u>7,343,737</u>	<u>5,443,020</u>
CAPITAL AND RESERVES			
Called up share capital	16	101	101
Profit and loss account	17	<u>7,343,636</u>	<u>5,442,919</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	18	<u>7,343,737</u>	<u>5,443,020</u>

Signed on behalf of the Board of Directors on 11 June 2007



A. J. Kellett
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Group accounts

The company is exempt from the requirement to prepare group accounts by the Companies Act 1985 (S228) and FRS 2 section 2(21) as it is a wholly owned subsidiary undertaking of Genetix Group plc, which itself prepares group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Sales of instruments are recognised when the title passes, or when the right to consideration in exchange for performance has been completed. Sales of consumables are recognised on delivery of product, and service contracts evenly over the contractual period.

Pensions

The company operates a stakeholder pension scheme for its UK employees.

Foreign currency

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 rate ruling at the date of the transaction. Adjustments resulting from exchange fluctuations have been reflected in the profit and loss account.

The company uses derivative financial instruments solely to reduce the exposure to foreign exchange risk.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Research and development

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

Product warranties

Provision is made for the anticipated cost of expected claims against product warranties on products sold.

Intangible assets - patents and licences

Patents and licences are valued at cost on acquisition and are depreciated in equal annual instalments over their estimated useful lives of four years.

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and provision for impairment. Depreciation is provided in equal annual instalments in order to write off the cost of each asset over its estimated useful life at the following rates

Freehold property	2% per annum
Plant and machinery	25-50% per annum
Motor vehicles	25% per annum
Fixtures and fittings	25% per annum

Freehold land is not depreciated

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted

2. TURNOVER

In the opinion of the directors, the company operates only one class of business generated in the United Kingdom. Turnover can be analysed as follows

	2006 £	2005 £
By geographic destination:		
United Kingdom	1,750,705	1,303,056
Rest of Europe	3,944,344	2,555,528
North America	6,133,749	6,212,498
Asia	762,894	958,545
Rest of World	843,213	1,017,883
	<u>13,434,905</u>	<u>12,047,510</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

3. OPERATING PROFIT

	2006 £	2005 £
Operating profit is stated after charging/(crediting):		
Depreciation of owned assets	235,365	232,592
Amortisation of patents and licences	90,008	242,396
Profit on disposal of fixed assets	(2,120)	(2,550)
Fees payable to the company's auditors for the audit of the company's annual accounts	24,000	12,935
Research and development (including salaries)	1,633,696	1,237,829
Grant payments/recoveries	9,835	(7,018)
Exchange gain on foreign currency transactions	(97,704)	(314,270)
	<u>2,767,691</u>	<u>2,573,104</u>

Fees payable to the company's auditors and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis

4. INFORMATION REGARDING EMPLOYEES

None of the directors received any remuneration from the company during the year (2005 £nil)

	2006 No.	2005 No.
Average number of persons employed in the year:		
Sales and marketing	13	14
Research and development	29	25
Production and customer support	26	25
Administration	8	8
Laboratory	4	3
	<u>80</u>	<u>75</u>

	2006 £	2005 £
Staff costs incurred during the year in respect of these employees were:		
Wages and salaries	2,498,490	2,305,445
Social security costs	267,868	263,659
Pension costs	1,333	4,000
	<u>2,767,691</u>	<u>2,573,104</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Interest payable on corporation tax	<u>2,938</u>	<u>6,488</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
Current tax		
United Kingdom corporation tax at 30% (2005 30%)	498,765	417,603
Adjustment in respect of prior years	(3,846)	(20,818)
Total current tax	<u>494,919</u>	<u>396,785</u>
Deferred tax		
Timing differences	(10,965)	6,523
Adjustment in respect of prior years	2,672	-
Total deferred tax	<u>8,293</u>	<u>6,523</u>
Total tax on profit on ordinary activities	<u><u>486,626</u></u>	<u><u>403,308</u></u>

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 30% (2005 30%)

The differences are detailed below

	2006 %	2005 %
Standard tax rate for year as a percentage of profits	30	30
Effects of		
Movement in short term timing differences	1	-
R&D tax credit	(10)	(9)
Prior period adjustments	-	(1)
Current tax rate for year as a percentage of profits	<u><u>21</u></u>	<u><u>20</u></u>

7. DIVIDENDS

	2006 £	2005 £
Ordinary shares		
Dividends paid – £nil (2005 £147.78 per share)	<u>-</u>	<u>1,500,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

8. INTANGIBLE FIXED ASSETS

	Patents and licences £
Cost	
At 1 January 2006	737,595
Additions	146,518
	<hr/>
At 31 December 2006	884,113
	<hr/>
Accumulated amortisation	
At 1 January 2006	563,713
Charge for the year	90,008
	<hr/>
At 31 December 2006	653,721
	<hr/>
Net book value	
At 31 December 2006	230,392
	<hr/>
At 31 December 2005	173,882
	<hr/>

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 January 2006	2,025,126	1,239,042	43,806	206,771	3,514,745
Additions	-	230,140	-	-	230,140
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	2,025,126	1,469,182	43,806	206,771	3,744,885
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation					
At 1 January 2006	221,778	881,814	26,761	206,771	1,337,124
Charge for the year	40,503	186,762	8,100	-	235,365
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	262,281	1,068,576	34,861	206,771	1,572,489
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2006	1,762,845	400,606	8,945	-	2,172,396
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	1,803,348	357,229	17,045	-	2,177,622
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

10. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiaries £
At 1 January 2006 and 31 December 2006	<u>46,317</u>

Subsidiaries	Country of incorporation/ registration and operation	Principal activity	Percentage of equity shares held %
Genescreen Limited	England and Wales	Provision of scientific services	100
Genetix USA Inc	United States of America	Marketing company for North America	100

11. STOCKS

	2006 £	2005 £
Raw materials	598,462	788,240
Work in progress	14,574	110,993
Finished goods	573,776	564,831
	<u>1,186,813</u>	<u>1,464,064</u>

12. DEBTORS

	2006 £	2005 £
Trade debtors	3,107,463	2,379,737
Amounts owed by group undertakings	1,719,197	101,153
Other debtors	105,529	151,805
Prepayments and accrued income	86,595	63,935
	<u>5,018,784</u>	<u>2,696,630</u>

All debtors are due within one year

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade creditors	691,849	568,292
Amounts owed to group undertakings	1,024,269	961,219
Corporation tax	378,663	402,431
Other taxation and social security	104,561	106,742
Other creditors	10,011	28,822
Accruals and deferred income	1,147,085	1,261,765
	<u>3,356,438</u>	<u>3,329,271</u>

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £	2005 £
Deferred service income	<u>193,949</u>	<u>115,881</u>

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Product warranties £	Deferred tax £	Total £
Balance at 1 January 2006	113,706	326,278	439,984
Utilised in year	(47,926)	-	(47,926)
Profit and loss charge/(credit)	57,622	(8,293)	49,329
	<u>123,402</u>	<u>317,985</u>	<u>441,387</u>
Balance at 31 December 2006	<u>123,402</u>	<u>317,985</u>	<u>441,387</u>

Product warranties

A provision of £123,402 has been recognised for expected claims against product warranties on products sold during the year. It is expected that most of this expenditure will be incurred in the next financial year.

Deferred taxation

Deferred taxation has been provided in the financial statements as follows

	2006 £	2005 £
Capital allowances in excess of depreciation	382,715	368,508
Other timing differences	(64,730)	(42,230)
	<u>317,985</u>	<u>326,278</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

16. SHARE CAPITAL

	Number	2006 £	2005 £
Authorised:			
Ordinary shares of 1p each	200,000	2,000	2,000
Called up, allotted and fully paid:			
Ordinary shares of 1p each	10,150	101	101

17. PROFIT AND LOSS ACCOUNT

	2006 £	2005 £
At 1 January 2006	5,442,919	5,332,125
Retained profit for the year	1,900,717	110,794
At 31 December 2006	7,343,636	5,442,919

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the financial year	1,900,717	1,610,794
Dividends	-	(1,500,000)
Net addition to shareholders' funds	1,900,717	110,794
Opening shareholders' funds at 1 January	5,443,020	5,332,226
Closing shareholders' funds at 31 December	7,343,737	5,443,020

19. ULTIMATE PARENT COMPANY

The ultimate parent company is Genetix Group plc, a company incorporated in the United Kingdom. Genetix Group plc is the largest and smallest group for which group financial statements are prepared. Copies of the group financial statements can be obtained from Queensway, New Milton, Hampshire, BH25 5NN.

20. ULTIMATE CONTROLLING PARTY

M A Reid, director, is the ultimate controlling party of the company by virtue of his interests in the shares of Genetix Group plc.

21. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption contained in paragraph 3(c) of FRS 8 not to present details of transactions with other group entities as it is a wholly owned subsidiary of Genetix Group plc, whose accounts are publicly available, and such transactions are eliminated on consolidation.

22. CONTINGENT LIABILITY

At 31 December 2006, the company was committed to forward exchange contracts totalling US \$5,000,000 at an average rate of £/\$ 1.8625 (2005 US \$7,000,000 at £/\$ 1.7376), all maturing before 31 December 2007, with an unrecognised gain of £134,438 (2005 £18,022 loss), recognised in 2007.

ADDITIONAL INFORMATION

The additional information on page 18 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.

TRADING PROFIT AND LOSS ACCOUNT
Year ended 31 December 2006

	2006 £	2005 £
SALES	13,434,905	12,047,510
COST OF SALES		
Purchases	4,146,077	3,701,719
Direct carnage	364,581	346,460
Sales commissions payable non-group	26,031	166,847
Sales commissions payable group	1,462,827	1,451,450
Licence fees payable	31,322	33,228
Sales installation costs	223,754	225,063
Direct wages	808,886	704,838
Other direct expenses	165,853	81,377
Exchange gain on foreign currency transactions	(97,704)	(314,270)
	<u>7,131,627</u>	<u>6,396,712</u>
GROSS PROFIT	<u>6,303,278</u>	<u>5,650,798</u>
OTHER INCOME		
Interest receivable	<u>73,617</u>	<u>42,188</u>
ADMINISTRATIVE EXPENSES		
Staff salaries (R&D)	1,161,337	919,979
Research and development (net of grant monies received)	482,194	310,832
Staff salaries	903,270	948,287
Recruitment, training and relocation	81,684	61,508
Rent and rates	55,506	55,140
Repairs and renewals	67,336	94,373
Insurance	49,235	43,074
Telephone	31,789	28,662
Printing, stationery and advertising	49,819	34,772
Entertaining	10,075	6,759
Legal and professional fees	28,821	29,119
Audit and accountancy	27,175	16,918
Sales promotion expenses	171,127	138,058
Motor and travel expenses	238,343	194,546
Licence fees	46,462	52,259
Sundry costs	64,774	61,060
Depreciation and amortisation	325,373	474,988
Bank charges	24,651	25,730
Exhibition and office costs	74,763	118,882
Profit on disposal of fixed asset	(2,120)	(2,550)
Bad debt provision	95,000	60,000
	<u>3,986,614</u>	<u>3,672,396</u>
FINANCE EXPENSES		
Interest payable on corporation tax	<u>(2,938)</u>	<u>(6,488)</u>
PROFIT BEFORE TAX	<u><u>2,387,343</u></u>	<u><u>2,014,102</u></u>