

GENETIX LIMITED

Abbreviated accounts

31 December 1998

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



REPORT AND ABBREVIATED ACCOUNTS 1998

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REPORT AND ABBREVIATED ACCOUNTS 1998

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 Laphorn
21 Cumberland Place
Southampton
SO15 2BB

AUDITORS

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

ACTIVITIES

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The directors are satisfied with the results for the year. Future prospects suggest continued growth providing profitable returns.

RESEARCH AND DEVELOPMENT

The company continues an active programme of research and development, the costs of which in the year amounted to £162,910 (1997 : £134,429). New and improved products are continuing to be developed.

RESULTS AND DIVIDENDS

The results for the year are set out in detail on page 4. A dividend of £3,353.62 (1997 : £1,311.76) per share was paid in the year; no final dividend is proposed.

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 1998 and at 31 December 1997 were as follows:

	Ordinary shares of £1 each	
	1998	1997
M A Reid	42	42
D J Reid	41	41

YEAR 2000

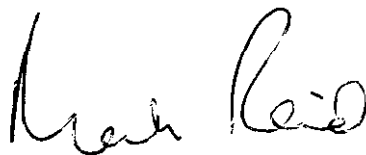
The directors have considered the impact of the year 2000 issue on the operations of the company and are seeking assurances from the company's suppliers on the integrity of their systems. The directors believe that no significant additional costs will be incurred as a result of this issue.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

M A REID
Director



Date :

22nd October 1999



AUDITORS' REPORT TO GENETIX LIMITED PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 4 to 11, together with the financial statements of Genetix Limited prepared under s226 Companies Act 1985 for the year ended 31 December 1998.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with s246A(3) Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to deliver abbreviated accounts prepared in accordance with that section and whether the abbreviated accounts have been properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion, the company is entitled under ss247, 247A and 249 Companies Act 1985 to deliver abbreviated accounts prepared in accordance with s246A(3) Companies Act 1985, in respect of the year ended 31 December 1998 and the abbreviated accounts on pages 4 to 11 have been properly prepared in accordance with those provisions.

Deloitte & Touche

DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors

Date: 27 October 1999

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1998

	<i>Note</i>	1998 £	1997 £
Gross profit		2,387,734	1,094,326
Administrative expenses		<u>(395,429)</u>	<u>(260,269)</u>
OPERATING PROFIT: continuing operations	2	1,992,305	834,057
Other interest receivable and similar income		66,187	22,019
Interest payable and similar charges	4	<u>(44,068)</u>	<u>(10,066)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,014,424	846,010
Tax on profit on ordinary activities	5	<u>(624,816)</u>	<u>(235,404)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,389,608	610,606
Dividends paid	6	<u>(167,681)</u>	<u>(65,588)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	16	<u><u>1,221,927</u></u>	<u><u>545,018</u></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 has not been prepared.

BALANCE SHEET
31 December 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Tangible assets	7	890,515	846,489
Investments	8	46,248	-
		<u>936,763</u>	<u>846,489</u>
CURRENT ASSETS			
Stocks	9	273,930	62,445
Debtors	10	1,009,456	597,321
Cash at bank and in hand		2,334,076	639,749
		<u>3,617,462</u>	<u>1,299,515</u>
CREDITORS: amounts falling due within one year	11	<u>(2,028,381)</u>	<u>(806,402)</u>
NET CURRENT ASSETS		<u>1,589,081</u>	<u>493,113</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,525,844</u>	<u>1,339,602</u>
CREDITORS: amounts falling due after more than one year	12	<u>(338,218)</u>	<u>(373,903)</u>
NET ASSETS		<u><u>2,187,626</u></u>	<u><u>965,699</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	100	100
Profit and loss account	16	2,187,526	965,599
TOTAL EQUITY SHAREHOLDERS' FUNDS	17	<u><u>2,187,626</u></u>	<u><u>965,699</u></u>

These accounts have been prepared in accordance with the special provisions relating to medium-sized companies under s246A Companies Act 1985 with respect to the delivery of individual accounts.

Signed on behalf of the Board of Directors on 22nd October 1999

M A REID

Director



NOTES TO THE ACCOUNTS
For the year ended 31 December 1998

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.

Group accounts

The company is exempt from preparing group accounts as it is a medium sized group as defined by the Companies Act 1985 (S248) and FRS2 section 2(21a). The financial statements present information about the company as an individual undertaking and not as a group.

Depreciation

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.

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 fixed assets are stated at cost less provision for any permanent diminution in 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.

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

2. OPERATING PROFIT

	1998 £	1997 £
Operating profit is stated after charging/(crediting):		
Depreciation:		
Owned assets	23,960	13,342
Leased assets	-	2,783
Auditors' remuneration	4,280	3,800
Research & development	162,910	134,429
Profit on disposal of fixed assets	-	(2,172)
Net (gain)/loss on foreign currency translations	(33,753)	4,641
	<u> </u>	<u> </u>

3. INFORMATION REGARDING EMPLOYEES

No directors received any remuneration during the year (1997 : £nil).

	1998 No.	1997 No.
Average number of persons employed in the year:		
Sales	4	3
Research and development	8	7
Production and stores	13	3
Administration	1	1
Laboratory	2	1
	<u> </u>	<u> </u>
	28	15
	<u> </u>	<u> </u>

Staff costs incurred during the year
in respect of these employees were:

	1998 £	1997 £
Wages and salaries	443,335	245,829
Social security costs	40,410	24,183
	<u> </u>	<u> </u>
	483,745	270,012
	<u> </u>	<u> </u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
Bank loans and overdrafts	44,068	10,066
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
United Kingdom corporation tax at 31% (1997 : 31.5%)	624,816	251,761
Adjustments to prior years' tax provisions:		
Corporation tax -over provision	-	(16,357)
	<u>624,816</u>	<u>235,404</u>

6. DIVIDENDS

	1998 £	1997 £
Ordinary shares		
Dividends paid £3,353.62 per share (1997 : £1,311.76)	167,681	65,588
	<u>167,681</u>	<u>65,588</u>

Dividends have been waived by shareholders holding 50% (1997 : 50%) of the ordinary share capital of the company.

7. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Motor vehicles £	Office fixture and fittings £	Total £
Cost					
At 1 January 1998	817,266	36,846	11,130	5,594	870,836
Additions	20,140	10,515	16,394	20,937	67,986
At 31 December 1998	<u>837,406</u>	<u>47,361</u>	<u>27,524</u>	<u>26,531</u>	<u>938,822</u>
Accumulated depreciation					
At 1 January 1998	1,724	9,922	9,507	3,194	24,347
Charge for the year	7,306	12,390	1,623	2,641	23,960
At 31 December 1998	<u>9,030</u>	<u>22,312</u>	<u>11,130</u>	<u>5,835</u>	<u>48,307</u>
Net book value					
At 31 December 1998	<u>828,376</u>	<u>25,049</u>	<u>16,394</u>	<u>20,696</u>	<u>890,515</u>
At 31 December 1997	<u>815,542</u>	<u>26,924</u>	<u>1,623</u>	<u>2,400</u>	<u>846,489</u>

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

8. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiaries £
Cost	
Additions	46,248
At 31 December 1998	<u>46,248</u>

The company purchased 92.5% of the ordinary share capital of Genescreen Limited during the year, a company incorporated in the UK. The total of the share capital and reserves at 31 December 1998 was £18,166 (1997: £2) and its loss for the year was £31,834 (1997: £nil). It is considered by the directors that the company has significant potential for growth and accordingly, no provision for impairment is considered appropriate at this time.

9. STOCKS

	1998 £	1997 £
Stocks of raw materials	273,930	34,345
Work in progress	-	28,100
	<u>273,930</u>	<u>62,445</u>

10. DEBTORS

	1998 £	1997 £
Trade debtors	864,659	527,546
Amounts owed by group undertakings (note 20)	40,096	-
Amounts owed by related undertakings (note 20)	8,035	-
Other debtors	95,296	68,648
Prepayments and accrued income	1,370	1,127
	<u>1,009,456</u>	<u>597,321</u>

All debtors are due within one year.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE

	1998 £	1997 £
Bank overdraft	555,219	8,971
Bank loan (secured – see note 13)	28,733	20,000
Trade creditors	354,884	219,439
Amounts owed to group undertakings (note 20)	128	-
Amounts owed to related undertakings (note 20)	76,184	94,719
Other creditors	287,574	168,508
Other taxation and social security	20,567	10,730
Corporation tax	624,816	235,364
Accruals and deferred income	80,276	48,671
	<u>2,028,381</u>	<u>806,402</u>

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

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

	1998 £	1997 £
Bank loan (secured)	338,218	373,903

The terms of the bank loan are fixed. The bank loan is secured by a debenture over a life policy and freehold deeds of 63 – 69 Somerford Road.

13. BORROWINGS

	1998 £	1997 £
Amounts repayable by instalments:		
Bank loans		
Within one year	28,733	20,000
Between one and two years	31,249	28,733
Between two and five years	111,767	102,488
After five years	195,202	242,682
	<u>366,951</u>	<u>393,903</u>

14. DEFERRED TAXATION

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

	1998		1997	
	Provided £	Unprovided £	Provided £	Unprovided £
Capital allowances in excess of depreciation	-	2,594	-	328

15. CALLED UP SHARE CAPITAL

	1998 £	1997 £
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

16. PROFIT AND LOSS ACCOUNT

	1998 £	1997 £
At 1 January 1998	965,599	420,581
Retained profit for the year	1,221,927	545,018
At 31 December 1998	<u>2,187,526</u>	<u>965,599</u>

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit on ordinary activities after taxation	1,389,608	610,606
Dividends	(167,681)	(65,588)
Net addition to shareholders' funds	1,221,927	545,018
Opening shareholders' funds at 1 January 1998	965,699	420,681
Closing shareholders' funds at 31 December 1998	<u>2,187,626</u>	<u>965,699</u>