

GENETIX LIMITED

Report and Financial Statements

31 December 1997



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

REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

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 1997.

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 1997 and at 31 December 1996 were as follows:

	Ordinary shares of £1 each	
	1997	1996
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

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.

EXEMPTIONS

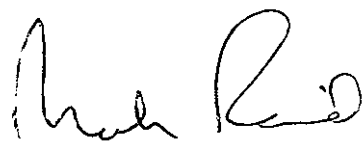
This report has been prepared in accordance with the special provisions relating to small companies under section 246 of the companies Act 1985.

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

M A REID

Director

Date:


3rd July 1998



Chartered Accountants

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

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AUDITORS' REPORT TO THE MEMBERS OF GENETIX LIMITED

We have audited the financial statements on pages 4 to 11 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

Deloitte & Touche

DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors

Date: *3 July 1998*

**Deloitte Touche
Tohmatsu
International**

Aberdeen, Bath, Belfast, Birmingham, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available:
Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1997

	Note	1997 £	1996 £
TURNOVER: continuing operations	2	2,856,716	1,602,351
Cost of sales		<u>1,762,390</u>	<u>982,593</u>
Gross profit		1,094,326	619,758
Administrative expenses		<u>260,269</u>	<u>212,159</u>
OPERATING PROFIT: continuing operations	3	<u>834,057</u>	<u>407,599</u>
Other interest receivable and similar income		22,019	13,481
Interest payable and similar charges		<u>(10,066)</u>	<u>(1,225)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		846,010	419,855
Tax on profit on ordinary activities	4	<u>235,404</u>	<u>131,932</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		610,606	287,923
Dividends paid	5	<u>65,588</u>	<u>24,000</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	14	<u><u>545,018</u></u>	<u><u>263,923</u></u>

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.

GENETIX LIMITED

BALANCE SHEET
31 December 1997

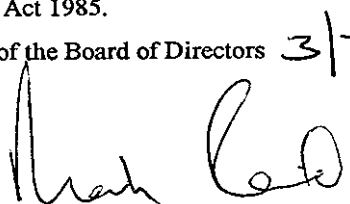
	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	6	846,489	42,211
CURRENT ASSETS			
Stocks		62,445	87,041
Debtors	7	597,321	374,739
Investments	8	57,543	273,618
Cash at bank and in hand		573,235	323,718
		1,290,544	1,059,116
CREDITORS: amounts falling due within one year	9	(797,431)	(677,575)
NET CURRENT ASSETS		493,113	381,541
TOTAL ASSETS LESS CURRENT LIABILITIES		1,339,602	423,752
CREDITORS: amounts falling due after more than one year	10	(373,903)	(3,071)
NET ASSETS		965,699	420,681
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Profit and loss account	13	965,599	420,581
TOTAL EQUITY SHAREHOLDERS' FUNDS	14	965,699	420,681

The report has been prepared in accordance with special provisions relating to small companies under section 246 of the Companies Act 1985.

Signed on behalf of the Board of Directors 3/7/98

M A REID

Director



NOTES TO THE ACCOUNTS
For the year ended 31 December 1997

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 equal annual instalments in order to write off the cost of each asset over its estimated useful life:

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

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.

NOTES TO THE ACCOUNTS

For the year ended 31 December 1997

2. TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amounted to £2,447,428 (1996 : £1,423,004).

3. OPERATING PROFIT

	1997 £	1996 £
Operating profit is stated after charging/(crediting):		
Depreciation:		
Owned assets	13,342	2,555
Leased assets	2,783	6,232
Auditors' remuneration	3,800	2,750
Research & development	134,429	12,773
Profit on disposal of fixed assets	(2,172)	-
	<u> </u>	<u> </u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
United Kingdom corporation tax at 31.5% (1996 : 31.3%)	251,761	132,140
Adjustments to prior years' tax provisions:		
Corporation tax -over provision	(16,357)	(208)
	<u>235,404</u>	<u>131,932</u>

5. DIVIDENDS

	1997 £	1996 £
Ordinary shares		
Dividends paid - £1,311.76 per share (1996 : £480)	<u>65,588</u>	<u>24,000</u>

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

NOTES TO THE ACCOUNTS
For the year ended 31 December 1997

6. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Motor vehicles £	Office fixture and fittings £	Total £
Cost					
At 1 January 1997	-	26,521	24,930	5,594	57,045
Additions	817,266	10,325	-	-	827,591
Disposal	-	-	(13,800)	-	(13,800)
At 31 December 1997	817,266	36,846	11,130	5,594	870,836
Accumulated depreciation					
At 1 January 1997	-	1,713	11,324	1,797	14,834
Charge for the year	1,724	8,209	4,795	1,397	16,125
Released on disposal	-	-	(6,612)	-	(6,612)
At 31 December 1997	1,724	9,922	9,507	3,194	24,347
Net book value					
At 31 December 1997	815,542	26,924	1,623	2,400	846,489
At 31 December 1996	-	24,808	13,606	3,797	42,211

The net book value of motor vehicles includes £1,623 (1996 : £13,606) in respect of assets held under hire purchase contracts.

7. DEBTORS

	1997 £	1996 £
Trade debtors	527,546	340,115
Prepayments and other debtors	69,775	34,624
	<u>597,321</u>	<u>374,739</u>

All debtors are due within one year.

8. INVESTMENTS

	1997 £	1996 £
Other investments	<u>57,543</u>	<u>273,618</u>

NOTES TO THE ACCOUNTS
For the year ended 31 December 1997

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank loan (secured)	20,000	-
Trade creditors	219,439	147,654
Amounts owed to associated companies	94,805	60,869
Other creditors	463,187	469,052
	<u>797,431</u>	<u>677,575</u>

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

	1997 £	1996 £
Bank loan (secured)	373,903	-
Obligations under hire purchase contracts	-	3,071
	<u>373,903</u>	<u>3,071</u>

11. BORROWINGS

	1997 £	1996 £
Bank loans and overdrafts		
Within one year	20,000	-
Between one and two years	28,733	-
Between two and five years	102,488	-
After five years	242,682	-
Obligations under hire purchase		
Within one year	-	5,707
Between one and two years	-	3,071
	<u>393,903</u>	<u>8,778</u>

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

NOTES TO THE ACCOUNTS
For the year ended 31 December 1997

12. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised: 2,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>
Called up, allotted and fully paid: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

13. PROFIT AND LOSS ACCOUNT

	1997 £	1996 £
At 1 January 1997	420,581	156,658
Profit for the year	<u>545,018</u>	<u>263,923</u>
At 31 December 1997	<u>965,599</u>	<u>420,581</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit on ordinary activities after taxation	610,606	287,923
Dividends	<u>65,588</u>	<u>24,000</u>
Net addition to shareholders' funds	545,018	263,923
Opening shareholders' funds at 1 January 1997	420,681	156,758
Closing shareholders' funds at 31 December 1997	<u>965,699</u>	<u>420,681</u>

15. ULTIMATE CONTROLLING PARTY

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

NOTES TO THE ACCOUNTS

For the year ended 31 December 1997

16. RELATED PARTY TRANSACTIONS

During the year, intercompany trading on normal commercial terms between Genetix Limited and its associated company Plastic Injection Limited, amounted sales of £Nil (1996 : £11,897) and purchases of £391,838 (1996 : £170,350). Rent of £7,015 (1996 : £7,200) and recharges in respect of accountancy services of £4,496 (1996 : £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 £94,719 (1996 : £60,869) are included within creditors (note 9).

During the year, 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 £Nil (1996 : £1,762) and purchases of £3,887 (1996 : £2,493), which are included in the profit and loss account for services provided by The Fastener Warehouse Limited. Amounts owed to The Fastener Warehouse Limited at the year end of £86 (1996 : £475) are included within creditors (note 9).