

**GENETIX LIMITED**

**Abbreviated accounts**

**31 December 1999**

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



**REPORT AND ABBREVIATED ACCOUNTS 1999**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Auditors' report</b>	<b>3</b>
<b>Profit and loss account</b>	<b>4</b>
<b>Balance sheet</b>	<b>5</b>
<b>Notes to the accounts</b>	<b>6</b>

**REPORT AND ABBREVIATED ACCOUNTS 1999**

**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 Brunswick Place

Southampton

SO15 2AQ

**AUDITORS**

Deloitte & Touche

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 1999.

### 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 very pleased with the results for the year. The improvement in sales and profitability has been achieved through organic growth of the product range, particularly in the USA. Additional staff have been recruited and investment in research and development continues to increase, the benefits of which will be realised over the next few years. The company enters 2000 with a strong pipeline of new products which should underpin the next phase of growth. Cash balances rose by £1.4 million leaving the business in a strong financial position to fund its new developments and pursue other interesting projects in the areas of genomics and proteomics.

### RESEARCH AND DEVELOPMENT

The company continues an active programme of research and development, the costs of which in the year amounted to £327,022 (1998 : £162,910). 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 £6,000 (1998 : £3,353.62) 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 1999 and at 31 December 1998 were as follows:

	Ordinary shares of £1 each	
	1999	1998
M A Reid	42	42
D J Reid	41	41

### YEAR 2000

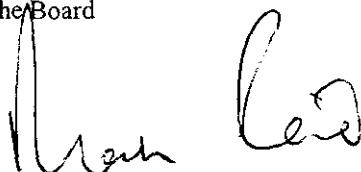
Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

### 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 : 26 May 2000

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

We have examined the abbreviated accounts on pages 4 to 12, together with the financial statements of Genetix Limited prepared under s226 Companies Act 1985 for the year ended 31 December 1999.

### **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 1999 and the abbreviated accounts on pages 4 to 12 have been properly prepared in accordance with those provisions.

*Deloitte & Touche*

### **DELOITTE & TOUCHE**

Chartered Accountants and  
Registered Auditors

Date : *26 May 2000*

**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 1999**

	Note	1999 £	1998 £
Gross profit		3,862,542	2,421,487
Administrative expenses		<u>(695,146)</u>	<u>(429,182)</u>
<b>OPERATING PROFIT: continuing operations</b>	2	3,167,396	1,992,305
Other interest receivable and similar income		100,258	66,187
Interest payable and similar charges	4	<u>(36,133)</u>	<u>(44,068)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		3,231,521	2,014,424
Tax on profit on ordinary activities	5	<u>(1,021,499)</u>	<u>(624,816)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		2,210,022	1,389,608
Dividends paid	6	<u>(300,000)</u>	<u>(167,681)</u>
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	17	<u><u>1,910,022</u></u>	<u><u>1,221,927</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.

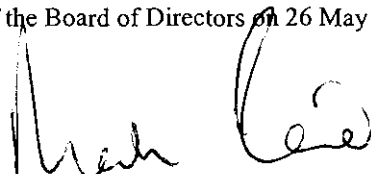
**BALANCE SHEET**  
**31 December 1999**

	Note	1999 £	1998 £
<b>FIXED ASSETS</b>			
Intangible assets	7	5,111	-
Tangible assets	8	924,230	890,515
Investments	9	46,248	46,248
		<u>975,589</u>	<u>936,763</u>
<b>CURRENT ASSETS</b>			
Stocks	10	527,148	273,930
Debtors	11	1,774,780	1,009,456
Cash at bank and in hand		3,415,286	2,334,076
		<u>5,717,214</u>	<u>3,617,462</u>
<b>CREDITORS: amounts falling due within one year</b>	12	(2,210,983)	(1,930,467)
<b>NET CURRENT ASSETS</b>		<u>3,506,231</u>	<u>1,686,995</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		4,481,820	2,623,758
<b>CREDITORS: amounts falling due after more than one year</b>	13	(313,922)	(338,218)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	(70,250)	(97,914)
<b>NET ASSETS</b>		<u>4,097,648</u>	<u>2,187,626</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	100	100
Profit and loss account	17	4,097,548	2,187,526
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	18	<u>4,097,648</u>	<u>2,187,626</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 26 May 2000

**M A REID**  
Director



## NOTES TO THE ACCOUNTS

### For the year ended 31 December 1999

#### 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 rate 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 1999**

**2. OPERATING PROFIT**

	1999 £	1998 £
Operating profit is stated after charging/(crediting):		
Depreciation:		
Owned assets	35,610	23,960
Amortisation of patents	222	-
Auditors' remuneration	8,950	4,280
Research & development	327,022	162,910
Net gain on foreign currency translation	(215,516)	(33,753)
	<u>          </u>	<u>          </u>

**3. INFORMATION REGARDING EMPLOYEES**

No directors received any remuneration during the year (1998 : £nil).

	1999 No.	1998 No.
Average number of persons employed in the year:		
Sales	5	4
Research and development	11	8
Production and stores	14	13
Administration	1	1
Laboratory	3	2
	<u>          </u>	<u>          </u>
	34	28
	<u>          </u>	<u>          </u>

	1999 £	1998 £
Staff costs incurred during the year in respect of these employees were:		
Wages and salaries	698,227	443,335
Social security costs	76,554	40,410
	<u>          </u>	<u>          </u>
	774,781	483,745
	<u>          </u>	<u>          </u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	1999 £	1998 £
Bank loans and overdrafts	36,133	44,068
	<u>          </u>	<u>          </u>

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1999**

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1999 £	1998 £
United Kingdom corporation tax at 30.25% (1998 : 31%)	1,021,849	624,816
Adjustments to prior years' tax provisions:		
Corporation tax - over provision	(350)	-
	<u>1,021,499</u>	<u>624,816</u>

Of the tax on profit on ordinary activities of £1,021,849 noted above, £8,365 has been relieved by the surrender of losses by a group company in exchange for a payment of the same amount.

**6. DIVIDENDS**

	1999 £	1998 £
Ordinary shares		
Dividends paid £6,000 per share (1998 : £3,353.62)	<u>300,000</u>	<u>167,681</u>

Dividends have been waived by shareholders holding 50% (1998 : 50%) of the ordinary share capital of the company.

**7. INTANGIBLE FIXED ASSETS**

	Patents £
<b>Cost</b>	
Additions	5,333
	<u>5,333</u>
At 31 December 1999	
<b>Accumulated amortisation</b>	
Charge for the year	222
	<u>222</u>
At 31 December 1999	
<b>Net book value</b>	
At 31 December 1999	<u>5,111</u>
At 31 December 1998	<u>-</u>

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1999**

**8. TANGIBLE FIXED ASSETS**

	Freehold property £	Plant and machinery £	Motor vehicles £	Office fixture and fittings £	Total £
<b>Cost</b>					
At 1 January 1999	837,406	47,361	27,524	26,531	938,822
Additions	21,701	45,832	-	1,792	69,325
At 31 December 1999	859,107	93,193	27,524	28,323	1,008,147
<b>Accumulated depreciation</b>					
At 1 January 1999	9,030	22,312	11,130	5,835	48,307
Charge for the year	7,575	17,632	4,099	6,304	35,610
At 31 December 1999	16,605	39,944	15,229	12,139	83,917
<b>Net book value</b>					
At 31 December 1999	842,502	53,249	12,295	16,184	924,230
At 31 December 1998	828,376	25,049	16,394	20,696	890,515

**9. INVESTMENTS HELD AS FIXED ASSETS**

	Shares in subsidiaries £
At 31 December 1998 and 31 December 1999	46,248

The company owns 92.5% of the ordinary share capital of Genescreen Limited, a company incorporated in the UK. The company's principal activity is the hire of specialised machines for the biotechnology industry, and inhouse picking, gridding and screening services. The total of the share capital and reserves at 31 December 1999 was a deficit of £1,113 (1998: funds of £18,166) and its loss for the year was £19,279 (1998: loss £31,834). 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.

**10. STOCKS**

	1999 £	1998 £
Stocks of raw materials	382,398	273,930
Work in progress	144,750	-
	527,148	273,930

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1999**

**11. DEBTORS**

	1999 £	1998 £
Trade debtors	1,524,517	864,659
Amounts owed by group undertakings	103,893	40,096
Other debtors	142,980	95,296
Prepayments and accrued income	3,390	1,370
	<u>1,774,780</u>	<u>1,009,456</u>

All debtors are due within one year.

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1999 £	1998 £
Bank overdraft	14,017	555,219
Bank loan (secured – see note 14)	31,249	28,733
Trade creditors	673,841	431,068
Amounts owed to group undertakings	122,555	128
Other creditors	183,460	189,660
Other taxation and social security	39,336	20,567
Corporation tax	783,030	624,816
Accruals and deferred income	363,495	80,276
	<u>2,210,983</u>	<u>1,930,467</u>

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1999 £	1998 £
Bank loan (secured)	<u>313,922</u>	<u>338,218</u>

The terms of the bank loan are fixed. Interest is payable at a fixed rate of 8.76% and the loan is repayable in instalments with the final instalment due on 3 October 2007. The bank loan is secured by a debenture over a life policy and freehold deeds of 63 – 69 Somerford Road.

**14. BORROWINGS**

	1999 £	1998 £
Amounts repayable by instalments:		
Bank loans		
Within one year	31,249	28,733
Between one and two years	34,078	31,249
Between two and five years	121,773	111,767
After five years	158,071	195,202
	<u>345,171</u>	<u>366,951</u>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 December 1999

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Product warranties</b>
Balance at 1 January 1999	97,914
Profit and loss credit	(27,664)
	<hr/>
Balance at 31 December 1999	70,250
	<hr/>

**Product warranties**

A provision of £70,250 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, and all will be incurred within two years of the balance sheet date.

**Deferred taxation**

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

	<b>1999</b>		<b>1998</b>	
	<b>Provided</b>	<b>Unprovided</b>	<b>Provided</b>	<b>Unprovided</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Capital allowances in excess of depreciation	-	2,237	-	2,594
	<hr/>	<hr/>	<hr/>	<hr/>

**16. CALLED UP SHARE CAPITAL**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
<b>Authorised:</b>		
2,000 ordinary shares of £1 each	2,000	2,000
	<hr/>	<hr/>
<b>Called up, allotted and fully paid:</b>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

**17. PROFIT AND LOSS ACCOUNT**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
At 1 January 1999	2,187,526	965,599
Retained profit for the year	1,910,022	1,221,927
	<hr/>	<hr/>
At 31 December 1999	4,097,548	2,187,526
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1999**

**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1999 £	1998 £
Profit on ordinary activities after taxation	2,210,022	1,389,608
Dividends	(300,000)	(167,681)
	<hr/>	<hr/>
Net addition to shareholders' funds	1,910,022	1,221,927
Opening shareholders' funds at 1 January 1999	2,187,626	965,699
	<hr/>	<hr/>
Closing shareholders' funds at 31 December 1999	<u>4,097,648</u>	<u>2,187,626</u>

**19. CONTINGENT LIABILITY**

At the year end the company was committed to a forward exchange contract with Barclays Bank plc for US\$1,130,000 at a rate of \$1.599 : £1.