

**ANAGEN PLC
AND SUBSIDIARY COMPANIES**

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

31 DECEMBER 1996

REGISTERED No: 2792457



Kidsons Impey
Spectrum House
20-26 Cursitor Street
London EC4A 1HY

**ANAGEN PLC
AND SUBSIDIARY COMPANIES**

DIRECTORS' REPORT

31 December 1996

Directors:

Dr H Simon
M N Sennett
K N Bowhill
Sir Stuart Burgess
G C Forrest
A W Marchant

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

Principal activities and business review

The principal activity of the group was the development and manufacturing of automated immunodiagnostic systems.

As a result of the group's inability to find a suitable marketing partner for its first system, the Auraflex, the company's principal trading subsidiary company, Anagen (UK) Limited, was placed into creditors' voluntary liquidation on 27 September 1996.

The company's shares were suspended from trading by the London Stock Exchange on 17 September 1996 and de-listed on 21 April 1997.

Results and dividends

The group loss for the year after taxation was £4,432,000. No dividend is recommended.

Directors

The directors of the company, all of whom held office throughout the year, are listed above.

G C Forrest and A W Marchant retire by rotation at the forthcoming Annual General Meeting.

ANAGEN PLC AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

31 December 1996

(continued)

Directors' interests

No director had at any time during the year a material interest in any significant contract relating to the group's business.

The interests of the directors in the company's share capital, all of which are beneficial, were as follows:

	1 January 1996				31 December 1996			
	Ordinary shares of 10p each	Ordinary share Options at 11.8p per share	Ordinary share Options at £1 per share	Ordinary share Options at 76p per share	Ordinary shares of 10p each	Ordinary share Options at 11.8p per share	Ordinary share Options at £1 per share	Ordinary share Options at 76p per share
H Simon	20,000	-	-	-	20,000	-	-	-
M N Sennett	651,542	591,389	401,039	120,000	651,542	591,389	-	-
K N Bowhill	36,683	48,669	112,213	85,000	36,683	48,669	-	-
Sir Stuart Burgess	3,000	-	-	-	3,000	-	-	-
G C Forrest	501,542	591,389	401,039	120,000	501,542	591,389	-	-
A W Marchant	7,741	-	-	-	7,741	-	-	-

The options refer to the company's unapproved and approved Executive Share Option Schemes. The terms under which the options were granted to the directors are set out in note 17 to the financial statements. The options at £1 per share and 76p per share lapsed during the year.

H Simon was, until 31 December 1995, a partner in Schroder Venture Advisers which advises funds which, in aggregate, were interested in a total of 16,667,131 ordinary shares of 10p each at 1 January 1996 and 31 December 1996. Dr Simon has a personal interest in some of these funds.

Save as disclosed above, the directors had no interests in the share or loan capital of any group company at 1 January 1996 or 31 December 1996.

Directors' responsibilities

The directors are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the group and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether Accounting Standards have been followed and give details of any departures; and
- prepare the financial statements on a going concern basis unless in their view the company will be unable to continue in business.

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DIRECTORS' REPORT

31 December 1996
(continued)

Directors' responsibilities (continued)

The directors are also responsible for:

- ensuring the group keeps proper accounting records which disclose with reasonable accuracy the financial position of the company and of the group and which enable them to ensure that the financial statements comply with the Companies Act 1985;
- taking reasonable steps to safeguard the group's assets; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, Kidsons Impey, have expressed their willingness to continue in office and a resolution for their re-appointment in accordance with the provisions of Section 385 of the Companies Act 1985 will be proposed at the Annual General Meeting.

By order of the Board



M N Sennett
Director

Registered Office:

4 Spring Lakes Estate
Deadbrook Lane
Aldershot
Hampshire GU12 4UH

26 June 1997

**ANAGEN PLC
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AUDITORS' REPORT

Auditors' report to the shareholders of Anagen PLC

We have audited the financial statements on pages 5 to 20 which have been prepared under the accounting policies set out on pages 8 to 10 .

Respective responsibilities of directors and auditors

As described on pages 2 and 3, 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 group'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.

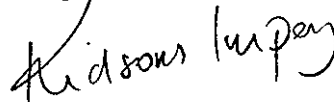
Fundamental uncertainty

The financial statements have been prepared on a going concern basis. The appropriateness of this basis depends on the successful implementation of the Company Voluntary Arrangement, details of which are given in Note 22 to the financial statements, and the subsequent continued financial support of the proposed new investor. We also draw your attention to Note 13 to the financial statements, in which the amount of the company's loan to Anagen (UK) Limited presently estimated to be recoverable from the liquidation of that company is shown as £200,000. The liquidation of Anagen (UK) Limited has not yet been completed and the recovery of this sum is dependent upon the liquidation being finalised in accordance with the present expectations of the liquidators.

Qualified opinion arising from disagreement about accounting treatment

As explained in note 1(k) to the financial statements, the company's subsidiary company, Anagen (UK) Limited, was placed into creditors' voluntary liquidation on 27 September 1996. The results of Anagen (UK) Limited for the period from 1 January 1996 to 27 September 1996 have been excluded from the consolidated financial statements. This treatment is not in accordance with Financial Reporting Standard No. 3, "Reporting Financial Performance", which provides that the results of a subsidiary should be included in the consolidated financial statements up to the date on which control passes from the group.

Because of the omission of the results of Anagen (UK) Limited from the consolidated financial statements, in our opinion the profit and loss account set out on page 5 does not give a true and fair view of the analysis of the loss of the group for the year ended 31 December 1996, although in our opinion it does give a true and fair view of the quantum of the loss for the year. In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 December 1996 and, except for the omission of the results of Anagen (UK) Limited, have been properly prepared in accordance with the Companies Act 1985.

 Kidsons Impey

Registered Auditors
Chartered Accountants

London
26 June 1997

**ANAGEN PLC
AND SUBSIDIARY COMPANIES**

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1996

	Note	1996 £'000	1995 £'000
Turnover			
Sales		58	1,354
Milestone payments under the marketing agreement		<u>-</u>	<u>500</u>
	2	58	1,854
Cost of sales	1(b)	<u>(42)</u>	<u>(1,215)</u>
Gross profit		16	639
Production and quality assurance expenses		-	(135)
Research and development costs		-	(1,702)
Administrative expenses		<u>(600)</u>	<u>(802)</u>
Operating loss	3	(584)	(2,000)
Loss on liquidation of subsidiary company		(3,919)	-
Interest receivable	6	74	251
Net (loss) gain on current asset investments	6	(3)	2
Interest payable	7	<u>-</u>	<u>(4)</u>
Loss on ordinary activities before taxation		(4,432)	(1,751)
Tax on loss on ordinary activities	8	<u>-</u>	<u>-</u>
Loss for the financial year	18	<u>(4,432)</u>	<u>(1,751)</u>

Operations

All of the group's operations are classed as discontinued.

Total recognised gains and losses

The group has no recognised gains or losses for the two years ended 31 December 1996 apart from the results shown above.

The notes on pages 8 to 20 form part of these financial statements.

**ANAGEN PLC
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BALANCE SHEETS

at 31 December 1996

	Note	Group		Company	
		1996 £'000	1995 £'000	1996 £'000	1995 £'000
Fixed assets					
Intangible assets	9	-	63	-	-
Tangible assets	10	-	458	-	-
Investments	11	-	-	-	9,608
		-	521	-	9,608
Current assets					
Stocks	12	-	920	-	-
Debtors: amounts falling due within one year	13	246	683	244	-
amounts falling due after more than one year	13	-	-	-	15,086
Investments	14	-	1,759	-	-
Cash and short term deposits		18	715	1	12
		264	4,077	245	15,098
Creditors: amounts falling due within one year	15	(662)	(560)	(6,789)	(1,750)
Net current (liabilities) assets		(398)	3,517	(6,544)	13,348
Total assets less current liabilities		(398)	4,038	(6,544)	22,956
Creditors: amounts falling due after more than one year	16	-	(4)	-	-
Net (liabilities) assets		(398)	4,034	(6,544)	22,956
Equity capital and reserves					
Called up share capital	17	4,650	4,650	4,650	4,650
Share premium account	18	18,100	18,100	18,100	18,100
Other reserve	18	4,309	4,309	-	-
Profit and loss account	18	(27,457)	(23,025)	(29,294)	206
Equity shareholders' funds (deficit)	19	(398)	4,034	(6,544)	22,956

The financial statements were approved by the board of directors on 26 June 1997

M N Sennett }
 } Directors
K N Bowhill }

M N Sennett
K N Bowhill

The notes on pages 8 to 20 form part of these financial statements.

**ANAGEN PLC
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GROUP CASH FLOW STATEMENT

for the year ended 31 December 1996

	Note	1996 £'000	1995 £'000
Net cash outflow from operating activities	21(a)	<u>(199)</u>	<u>(2,103)</u>
Returns on investments and servicing of finance			
Interest received		119	275
Interest paid		<u>-</u>	<u>(4)</u>
Net cash inflow from returns on investments and servicing of finance		<u>119</u>	<u>271</u>
Investing activities			
Payments to acquire tangible fixed assets		-	(83)
Net proceeds on sale of current asset investments	21(b)	1,756	1,624
Liquidation of subsidiary	21(c)	<u>(2,373)</u>	<u>-</u>
Net cash (outflow) inflow from investing activities		<u>(617)</u>	<u>1,541</u>
Net cash outflow before financing		<u>(697)</u>	<u>(291)</u>
Financing			
Hire purchase loans		<u>-</u>	<u>(13)</u>
Net cash outflow from financing	21(f)	<u>-</u>	<u>(13)</u>
Decrease in cash and cash equivalents	21(d)	<u>(697)</u>	<u>(304)</u>

The notes on pages 8 to 20 form part of these financial statements.

**ANAGEN PLC
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NOTES TO THE FINANCIAL STATEMENTS

31 December 1996

1 Accounting policies

(a) *Basis of accounting*

The financial statements have been prepared under the historical cost accounting convention and in accordance with applicable Accounting Standards, except as explained in note 1(k) below. The financial statements have been prepared on a going concern basis, which assumes the successful implementation of the Company Voluntary Arrangement explained in Note 22 and the subsequent continued financial support of the proposed new investor.

(b) *Cost of sales*

Cost of sales is stated as all those costs directly incurred by the group to bring each product sold to its saleable condition and to provide services to customers.

(c) *Tangible fixed assets*

Depreciation is calculated to write off the cost of all tangible fixed assets in equal annual instalments over their estimated useful lives at the following rates:

Plant and equipment	25%
Fixtures and fittings	15%
Motor vehicles	25%
Tooling	50%

Depreciation is calculated from the beginning of the quarter following acquisition of assets.

(d) *Intangible fixed assets*

Patents acquired by the group from third parties are capitalised and the cost is amortised on a straight line basis over the shorter of the remaining life of the patents or the expected period of commercial exploitation. Expenditure on patents protecting technology developed by the group is considered by the directors to be part of research and development expenditure and is accounted for in accordance with the policy in note 1(h) below.

(e) *Stocks*

Stocks are stated at the lower of cost, including an appropriate proportion of overheads, and net realisable value.

**ANAGEN PLC
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NOTES TO THE FINANCIAL STATEMENTS

31 December 1996

(continued)

1 Accounting policies (continued)

(f) *Current asset investments and short term deposits*

National and local government securities and other low risk non-equity investments held by the group are classified as short term deposits if, at the time of acquisition, they have less than three months to maturity. All other such investments are classified as current asset investments. Current asset investments are included in the balance sheet at the lower of cost and market value.

(g) *Deferred taxation*

Deferred taxation is provided, using the liability method, on all timing differences between the profit computed for taxation purposes and the profit stated in the financial statements to the extent that it is probable the liability will crystallise.

(h) *Research and development*

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

(i) *Leasing and hire purchase transactions*

Where an asset is acquired under a finance lease or hire purchase agreement, the asset is capitalised and the corresponding liability to the finance company is included in creditors. Depreciation on leased assets and assets being acquired under hire purchase agreements is provided in accordance with the policy in note 1(c) above. Leasing payments and hire purchase repayments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account on a straight line basis over the period of the lease or hire purchase agreement.

All other leases are operating leases and rentals payable are charged to the profit and loss account on a straight line basis.

(j) *Pensions*

The group operated a defined contribution scheme of which membership was optional. Members contributed 5% of salary, the group contributed 8%. The assets of the pension scheme were held separately in an independently administered fund. In addition, the group provided, for all employees, death in service life assurance, pension for spouses following death in service and permanent health insurance benefits. The executive directors had non-contributory pension arrangements which were funded by the group. These arrangements did not provide defined benefits and consequently the group has no obligation to meet any unfunded liabilities. Pension contributions are charged to the profit and loss account as incurred.

Following the liquidation of Anagen (U.K.) Limited, responsibility for the group's pension scheme has been assumed by one of the purchasers of the business.

**ANAGEN PLC
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NOTES TO THE FINANCIAL STATEMENTS

31 December 1996

(continued)

1 Accounting policies (continued)

(k) Consolidation

The consolidated financial statements include the results of the company and its subsidiary companies made up to 31 December 1996, except as explained below.

The company's principal trading subsidiary, Anagen (UK) Limited, was placed into creditors' voluntary liquidation on 27 September 1996. The results of Anagen (UK) Limited for the period from 1 January 1996 to 27 September 1996 have been omitted from the consolidated financial statements on the grounds that the inclusion of these results will incur cost and provide no useful information to members. This treatment does not accord with Financial Reporting Standard No.3, "Reporting Financial Performance", which states that the results of a subsidiary should be included in the consolidated financial statements up to the date on which control passes from the group.

As permitted by Section 230(3) of the Companies Act 1985, the profit and loss account of the company is not presented as part of these financial statements.

(l) Foreign currencies

Amounts receivable and payable in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Differences arising during the year are dealt with in the profit and loss account.

2 Turnover and segmental analysis

Turnover represents the value, excluding value added tax, of goods sold and services provided. All the group's sales originate in the United Kingdom and all turnover was within the European Union.

A geographical analysis of the group's loss for the year and net assets at the balance sheet date, as proposed by Statement of Standard Accounting Practice No.25, is not provided as the operating loss and net operating assets of Anagen (Bermuda) Limited are immaterial in relation to those of the group as a whole.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 1996

(continued)

3	Operating loss	1996	1995
		£'000	£'000
	Operating loss is stated after charging (crediting):		
	Depreciation of tangible fixed assets	-	301
	Depreciation of tangible fixed assets held under hire purchase agreements and finance leases	-	15
	Amortisation of intangible fixed assets	-	5
	Auditors' remuneration - audit services	8	18
	- non-audit services	19	7
	Operating lease rentals - plant and machinery (incl vehicles)	-	96
	- leasehold property	-	146
	Profit on exchange	<u>(1)</u>	<u>(1)</u>
4	Directors' emoluments		
	As directors	27	41
	For management (including pension contributions)	246	312
	Compensation for loss of office	<u>301</u>	<u>-</u>
		<u>574</u>	<u>353</u>
	Emoluments, excluding pension contributions, are analysed as follows:		
	Chairman	<u>9</u>	<u>17</u>
	Highest paid director	<u>195</u>	<u>107</u>
	Number of other directors whose emoluments were within the ranges:	Number	Number
	£ 5,000 - £ 10,000	1	-
	£ 10,001 - £ 15,000	1	2
	£ 70,001 - £ 75,000	-	1
	£ 100,001 - £ 105,000	-	1
	£ 135,001 - £ 140,000	1	-
	£ 185,001 - £ 190,000	1	-

The amounts disclosed above include amounts paid and payable to the directors for the two years ended 31 December 1996 from all group companies including Anagen (UK) Limited.

Amounts totalling £332,000 included above were unpaid at 31st December 1996.

**ANAGEN PLC
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NOTES TO THE FINANCIAL STATEMENTS

31 December 1996

(continued)

5	Employees	1996 Number	1995 Number
	The average number of persons including executive directors employed by the group during the year was:		
	Administration	3	8
	Research and development	-	40
	Manufacturing and quality assurance	<u>-</u>	<u>29</u>
		<u>3</u>	<u>77</u>
	Staff costs:	£'000	£'000
	Wages and salaries	21	1,680
	Social security costs	4	181
	Other pension costs	<u>3</u>	<u>121</u>
		<u>28</u>	<u>1,982</u>
6	Net investment income		
	Interest receivable		
	Bank and other	6	13
	Interest bearing listed investments (including short term deposits)	<u>68</u>	<u>238</u>
		<u>74</u>	<u>251</u>
	Net gain (loss) on current asset investments		
	Net loss on disposal of current asset investments	(3)	(3)
	Net gain on restatement of current asset investments at market value	<u>-</u>	<u>5</u>
		<u>(3)</u>	<u>2</u>
	Net investment income	<u>71</u>	<u>253</u>
7	Interest payable		
	Hire purchase	<u>-</u>	<u>4</u>
8	Taxation		

No taxation charge arises on the result for the year because of the trading loss (1995 £Nil).

At 31 December 1996 the company has capital losses and excess management expenses for taxation purposes available for carry forward, estimated at £32,600,000 and £600,000 respectively. These losses have arisen during the year ended 31 December 1996 and have yet to be agreed with the Inland Revenue.

**ANAGEN PLC
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NOTES TO THE FINANCIAL STATEMENTS

31 December 1996
(continued)

9	Intangible fixed assets					Group Patents £'000
	Cost					
	1 January 1996					75
	Elimination of assets of subsidiary company in liquidation					<u>(75)</u>
	31 December 1996					—
	Amortisation					
	1 January 1996					12
	Elimination of assets of subsidiary company in liquidation					<u>(12)</u>
	31 December 1996					—
	Net book amount					
	31 December 1996					—
	31 December 1995					<u>63</u>
10	Tangible fixed assets			Group		
		Plant & equipment £'000	Fixtures & fittings £'000	Motor vehicles £'000	Tooling £'000	Total £'000
	Cost					
	1 January 1996	1,081	560	50	622	2,313
	Elimination of assets of subsidiary company in liquidation	<u>(1,081)</u>	<u>(560)</u>	<u>(50)</u>	<u>(622)</u>	<u>(2,313)</u>
	31 December 1996	—	—	—	—	—
	Depreciation					
	1 January 1996	802	416	29	608	1,855
	Elimination of assets of subsidiary company in liquidation	<u>(802)</u>	<u>(416)</u>	<u>(29)</u>	<u>(608)</u>	<u>(1,855)</u>
	31 December 1996	—	—	—	—	—
	Net book amount					
	31 December 1996	—	—	—	—	—
	31 December 1995	<u>279</u>	<u>144</u>	<u>21</u>	<u>14</u>	<u>458</u>

The net book amount of assets held under hire purchase agreements at 31 December 1996 was £Nil (1995 £28,000).

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NOTES TO THE FINANCIAL STATEMENTS

31 December 1996

(continued)

11	Fixed asset investments	Company £'000
	Shares in subsidiary companies	
	Cost	
	1 January 1996	9,608
	Disposal - company placed into liquidation	<u>(6,809)</u>
	31 December 1996	<u>2,799</u>
	Provision	
	1 January 1996	-
	Profit and loss account	<u>2,799</u>
	31 December 1996	<u>2,799</u>
	Net book amount	
	31 December 1996	<u>-</u>
	31 December 1995	<u>9,608</u>

The subsidiary companies at 31 December 1996 and their activities during the year are as follows:

	Country of incorporation and principal operations	Percentage of shares held	Principal activities during the year
(i) Held directly by the company:			
Anagen (Bermuda) Limited	Bermuda	100	Investment company
(ii) Held through a subsidiary company:			
ProMed Diagnostics Limited	Great Britain	100	Marketing and sale of sourced immunoassay kits to United Kingdom hospitals and laboratories

Anagen (UK) Limited, a subsidiary company, was placed into creditors' voluntary liquidation on 27 September 1996. ProMed Diagnostics Limited was held by the group through Anagen (UK) Limited but has been transferred to the direct ownership of the company subsequent to the year end.

As the Company Voluntary Arrangement proposals detailed in note 22 have not been completed at the date of approval of these accounts, the directors have considered it prudent to make full provision against the company's investment in Anagen (Bermuda) Limited.

**ANAGEN PLC
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NOTES TO THE FINANCIAL STATEMENTS

31 December 1996
(continued)

12

Stocks

	Group	
	1996 £'000	1995 £'000
Raw materials and consumables	-	641
Work in progress	<u>-</u>	<u>279</u>
	<u>-</u>	<u>920</u>

13

Debtors

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Amounts falling due within one year				
Trade debtors	3	560	-	-
Other debtors	243	30	244	-
Prepayments and accrued income	<u>-</u>	<u>93</u>	<u>-</u>	<u>-</u>
	<u>246</u>	<u>683</u>	<u>244</u>	<u>-</u>
Amounts falling due after more than one year				
Amounts owed by subsidiary companies	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,086</u>

Other debtors at 31 December 1996 includes £200,000, representing the estimated amount of the company's loan to Anagen (UK) Limited recoverable from the liquidation of that company.

14

Current asset investments

	Group	
	1996 £'000	1995 £'000
Listed in the United Kingdom at the lower of cost and market value	<u>-</u>	<u>1,759</u>
Cost	<u>-</u>	<u>1,786</u>
Market value	<u>-</u>	<u>1,759</u>

All of the listed investments are interest bearing, readily convertible national or local government securities or other low risk non-equity investments.

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31 December 1996

(continued)

15	Creditors: amounts falling due within one year	Group		Company	
		1996	1995	1996	1995
		£'000	£'000	£'000	£'000
	Trade creditors	-	214	-	2
	Other taxation and social security	-	53	-	-
	Accruals	596	251	595	34
	Other creditors	66	29	-	-
	Amounts owed to subsidiary companies	-	-	6,194	1,714
	Obligations under hire purchase agreements	<u>-</u>	<u>13</u>	<u>-</u>	<u>-</u>
		<u>662</u>	<u>560</u>	<u>6,789</u>	<u>1,750</u>
16	Creditors: amounts falling due after more than one year	Group		Group	
				1996	1995
				£'000	£'000
	Obligations under hire purchase agreements				
	Payable between one and two years			<u>-</u>	<u>4</u>
17	Share capital	Ordinary shares of 10p each			
		1996	1995	1996	1995
		Number	Number	£'000	£'000
	Authorised	<u>64,000,000</u>	<u>64,000,000</u>	<u>6,400</u>	<u>6,400</u>
	Allotted, called up and fully paid	<u>46,501,000</u>	<u>46,501,000</u>	<u>4,650</u>	<u>4,650</u>

On 4 June 1997 each authorised and issued ordinary share of 10p was divided into one ordinary share of 0.01p and one deferred share of 9.99p.

At 31 December 1996 the company had the following outstanding options in respect of 1,312,484 (1995 2,972,749) of its ordinary shares of 10p each as follows:

Number of shares		Dates within which exercisable	Exercise price
1996	1995		
1,312,484	1,312,484	16.06.96 - 15.06.2000	11.8p
-	975,765	16.06.96 - 15.06.2000	100p
-	550,000	14.05.97 - 13.05.2004	76p
-	134,500	16.05.98 - 15.05.2005	48.3p

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NOTES TO THE FINANCIAL STATEMENTS

31 December 1996
(continued)

18	Share premium and reserves	Group			Company	
		Share premium account £'000	Other reserve £'000	Profit and loss account £'000	Share premium account £'000	Profit and loss account £'000
	1 January 1996	18,100	4,309	(23,025)	18,100	206
	Loss for the year	-	-	(4,432)	-	(29,500)
	31 December 1996	<u>18,100</u>	<u>4,309</u>	<u>(27,457)</u>	<u>18,100</u>	<u>(29,294)</u>

The other reserve represents the reserve which arose on the acquisition of Anagen (Bermuda) Limited in 1993, which was accounted for in accordance with merger accounting principles.

19	Reconciliation of movement in equity shareholders' funds	Group		Company	
		1996 £'000	1995 £'000	1996 £'000	1995 £'000
	1 January 1996	4,034	5,785	22,956	22,955
	Issue of ordinary shares	-	-	-	-
	Loss for the financial year	<u>(4,432)</u>	<u>(1,751)</u>	<u>(29,500)</u>	<u>1</u>
	31 December 1996	<u>(398)</u>	<u>4,034</u>	<u>(6,544)</u>	<u>22,956</u>

20 Contingent liabilities

There is a contingent liability in respect of a claim made against the company by a supplier of Anagen (UK) Limited in the sum of £54,000 plus unspecified damages. The directors, having taken professional advice, believe that this claim has no merit and no provision has been made in these financial statements for any amount that may become payable should the claim succeed.

21	Cash flow statement	1996 £'000	1995 £'000
	(a) <i>Net cash outflow from operating activities</i>		
	Operating loss	(584)	(2,000)
	Depreciation and amortisation charges	-	321
	Decrease (increase) in stocks	1	(150)
	Increase in debtors	(236)	(435)
	Increase in creditors	<u>620</u>	<u>161</u>
	Net cash outflow from operating activities	<u>(199)</u>	<u>(2,103)</u>

**ANAGEN PLC
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NOTES TO THE FINANCIAL STATEMENTS

31 December 1996

(continued)

21

Cash flow statement (continued)		1996	1995	
		£'000	£'000	
(b)	<i>Net proceeds on sale of current asset investments</i>			
	Acquisition of investments	(1,954)	(2,612)	
	Proceeds from sale of investments	<u>3,710</u>	<u>4,236</u>	
		<u>1,756</u>	<u>1,624</u>	
<p>The group had a diverse portfolio of low-risk non-equity investments which were managed on behalf of the group by professional investment managers. Investments were purchased and sold, as opportunities arose, to maximise the available returns. Consequently the gross amounts of investments purchased and sold were incidental compared with the net investment or disinvestment during the year. It is therefore considered to be more informative to show the net amount on the face of the cash flow statement. The investments were all realised during the year.</p>				
(c)	<i>Liquidation of subsidiary</i>	1996	1995	
		£'000	£'000	
	Cash advanced to Anagen (UK) Limited during the year, now irrecoverable	2,316	-	
	Cash balances of Anagen (UK) Limited at 31 December 1995	<u>57</u>	<u>-</u>	
	Net cash outflow	<u>2,373</u>	<u>-</u>	
(d)	<i>Analysis of changes in cash and cash equivalents</i>			
	Balance at 1 January 1996	715	1,019	
	Net cash outflow	<u>(697)</u>	<u>(304)</u>	
	Balance at 31 December 1996	<u>18</u>	<u>715</u>	
(e)	<i>Analysis of the balances of cash and cash equivalents as shown in the balance sheet</i>	1996	1995	Change in
		£'000	£'000	the year
				£'000
	Cash at bank and in hand	18	415	(397)
	Short term deposits	<u>-</u>	<u>300</u>	<u>(300)</u>
		<u>18</u>	<u>715</u>	<u>(697)</u>

ANAGEN PLC AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

31 December 1996

(continued)

21 **Cash flow statement (continued)**

(f) <i>Analysis of changes in financing during the year</i>	Share capital including premium £'000	Hire purchase loans £'000
Balance at 1 January 1996	22,750	17
Liquidation of subsidiary company	—	(17)
Balance at 31 December 1996	<u>22,750</u>	<u>—</u>

22 **Post balance sheet events**

- (a) On 14 March 1997, the company acquired the direct ownership of the whole of the issued share capital of ProMed Diagnostics Limited, a subsidiary company formerly held through Anagen (UK) Limited, for a consideration of £7,500.
- (b) On 4 June 1997 the company's creditors approved the basis of a Company Voluntary Arrangement, under the terms of which the creditors agreed to accept less than their full claims in full and final settlement of amounts due to them by the company.

The principal features of the Company Voluntary Arrangement are as follows:

- (i) A third party investor will make available to the company the sum of £142,500 by way of a loan, secured by a debenture on the assets of the company. Out of these funds a payment will be made to the supervisor of the Company Voluntary Arrangement of £90,000 or such lesser sum as will provide a dividend to unsecured creditors of 15 pence in the pound, being in addition to any dividend from the realisation of the assets of the company.

The estimated total dividend to unsecured creditors, including the additional amount made available from such new funds injected, is 49 pence in the pound.

- (ii) On 30 April 1997 Anagen (Bermuda) Limited waived repayment of the amount due to it by the company, £6,174,000, conditional upon the implementation of the Company Voluntary Arrangement.
- (iii) The third party investor will subscribe approximately £25,000 for 139,503,000 new ordinary shares of 0.01p each.

**ANAGEN PLC
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NOTES TO THE FINANCIAL STATEMENTS

31 December 1996

(continued)

22 Post balance sheet events (continued)

The following is a pro-forma statement of the net liabilities of the group and of the company at 31 December 1996, prepared as if the transactions contemplated under the Company Voluntary Arrangements described in this Note 22(b) had taken place on 31 December 1996. It is provided for illustrative purposes only and does not take account of any other transactions undertaken by the group or the company subsequent to 31 December 1996.

	Group £'000	Company £'000
Current assets		
Debtors	246	244
Cash	<u>185</u>	<u>168</u>
	431	412
Creditors: amounts falling due within one year	<u>(515)</u>	<u>(468)</u>
Net liabilities	<u>(84)</u>	<u>(56)</u>

23 Related party transactions

A W Marchant is a director of CINVen Limited. CINVen Limited is responsible for the management of the interests of The British Coal Pension Schemes in the share capital of Anagen PLC.