

Company Number: 2815000

**BIOTEC LABORATORIES LIMITED**

**ANNUAL REPORT**

**YEAR ENDED 31 DECEMBER 2002**



**PKF**

# BIOTEC LABORATORIES LIMITED

## COMPANY INFORMATION

<b>Directors</b>	IGM Dalgleish Professor SP Denyer TWO'C Maskell RC Roy MB Durdy
<b>Secretary</b>	EKAS & Associates Limited
<b>Company Number</b>	2815000
<b>Registered Office</b>	38 Anson Road Martlesham Heath Ipswich Suffolk IP5 3RG
<b>Auditors</b>	PKF Kerr House 19-23 Fore Street Ipswich IP4 1JW

# BIOTEC LABORATORIES LIMITED

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**BIOTEC LABORATORIES LIMITED**  
**DIRECTORS' REPORT**  
**YEAR ENDED 31 DECEMBER 2002**

The directors submit their report and the financial statements for the year ended 31 December 2002.

**Results**

The loss for the year, after taxation, amounted to £378,167 (2001 - £42,140 profit).

**Principal activity and review of the business**

The principal activity of the company is the manufacture and distribution of diagnostic reagents. It also has rights to develop, manufacture and market a new test for the diagnosis of Tuberculosis.

The company was restructured during 2002 in order to relieve the working capital constraints that were containing growth. Fixed overheads and cash costs were reduced. Initial sales were made of the company's new FastPlaque products. At the same time the company's research and development programme progressed well.

**Future developments**

During 2003 the company expects to maintain progress on cost reduction whilst preparing for growth when cash is available from internal or external sources. FastPlaque will be actively launched as and when resources permit. New MDR TB products currently in development are expected to enter trials in 2003.

**Research and development activities**

The company has an active programme of research and development, focused mainly on rapid microbiology, an area which could bring important user benefits through faster methods of microbial detection and identification. The company has a team of skilled scientists and technicians responsible for developing its novel patent-protected technologies through to marketability.

**Post balance sheet events**

As fully detailed in note 26 to the accounts 3,649,047 1p ordinary shares have been issued after the year end.

# BIOTEC LABORATORIES LIMITED

## DIRECTORS' REPORT (continued) YEAR ENDED 31 DECEMBER 2002

### Directors

The directors who served during the year and their interests in the company's issued share capital at the balance sheet date and at the start of the year (or date of appointment, if later) were:

	Ordinary Shares of 1p each	
	2002	2001
IGM Dalglish	105,756	52,500
Professor SP Denyer	29,800	29,800
M Desforges (resigned 12 August 2003)	108,900	51,700
Professor FJ Maillardet (resigned 31 July 2003)	-	-
TWO'C Maskell	46,262	38,800
RC Roy	-	-
MB Durdy	-	-

In addition to the above directors' interests, IGM Dalglish's interests as at the year end include 313,500 (2001 - 113,500) 1p ordinary shares of the company, which are registered in the name of the IGM Dalglish Trust. Qua Tendis Limited, a company controlled by RC Roy, owns 5,981 (2001 - NIL) 1p ordinary shares. Mrs C Roy, wife of RC Roy, owns 129,700 (2001 - 79,700) 1p ordinary shares.

At the year end the following options to purchase 1p ordinary shares for £7.37 per share expiring 7 February 2005, were unexercised in relation to the directors of the company and companies in which the directors have a controlling interest: IGM Dalglish 3,256; M Desforges 7,200; Qua Tendis Limited 5,981 and TWO'C Maskell 7,462. In addition, at the year end, MB Durdy had the option to purchase 30,000 1p ordinary shares at £10 per share at any time, 80,000 1p ordinary shares at £25 per share at any time and 42,500 1p ordinary shares at £6.32 per share on the inward investment of at least £250,000 by a third party. All of MB Durdy's options had lapsed, unexercised, at the signing of the directors' report. No directors held any options at 31 December 2001.

After the year end, the directors and companies in which they had a controlling interest participated in various share issues.

### Going concern

The view of the directors that the company continue as a going concern takes into account current fund raising initiatives and an expectation of improved sales of current and new products.

### Payment policy and practice

The company's general policy is to pay suppliers according to the agreed terms and conditions provided the supplier has agreed with those terms. As at 31 December 2002, the number of days which trade creditors represents with respect to invoiced suppliers was approximately 205 days (2001 - 69 days).

### Auditors

The auditors, PKF, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.



By order of the board

Secretary

**BIOTEC LABORATORIES LIMITED**  
**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 and of the profit or loss of the company 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BIOTEC LABORATORIES LIMITED**

We have audited the financial statements of Biotec Laboratories Limited for the year ended 31 December 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. 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 auditor's 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom 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 judgments 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.

## INDEPENDENT AUDITORS' REPORT (continued)


### Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in note 1a of the financial statements concerning the uncertainty over the ability of the company to continue as a going concern. No adjustments have been made in these financial statements for the impairment of assets and the reclassification of liabilities which would be necessary in the event that the company is no longer a going concern. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

### 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ipswich, UK  
23 October 2003

  
**PKF**  
Registered Auditors



**BIOTEC LABORATORIES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2002**

	Notes	2002 £	2001 £
<b>TURNOVER</b>	<b>2</b>	<b>1,484,955</b>	2,009,836
Cost of sales		<u>(1,075,864)</u>	<u>(1,327,364)</u>
<b>GROSS PROFIT</b>		<b>409,091</b>	682,472
Administrative expenses		<u>(791,884)</u>	<u>(965,268)</u>
<b>OPERATING LOSS</b>	<b>3</b>	<b>(382,793)</b>	(282,796)
Interest receivable and similar income			
- Interest receivable		-	4,480
- Cancellation of debt		-	342,388
- Foreign exchange gains	<b>6</b>	<b>3,340</b>	20,576
Interest payable and similar charges	<b>7</b>	<u>1,286</u>	<u>(42,508)</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>(378,167)</b></u>	<u>42,140</u>

All amounts relate to continuing operations.

**BIOTEC LABORATORIES LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 DECEMBER 2002**

	2002 £	2001 £
(Loss)/profit for the financial year	(378,167)	42,140
Prior period adjustment	-	(38,593)
<b>Total recognised gains and losses relating to the year</b>	<u><u>(378,167)</u></u>	<u><u>3,547</u></u>

**BIOTEC LABORATORIES LIMITED**  
**BALANCE SHEET**  
**31 DECEMBER 2002**

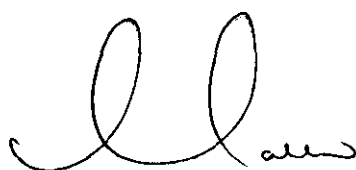

	Notes	2002 £	2001 £
<b>FIXED ASSETS</b>			
Intangible	9	214,239	267,799
Tangible	10	69,958	99,325
		<u>284,197</u>	<u>367,124</u>
<b>CURRENT ASSETS</b>			
Stocks	11	109,276	148,114
Debtors	12	376,677	552,473
Cash at bank and in hand		37,631	92,961
		<u>523,584</u>	<u>793,548</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(912,140)</u>	<u>(1,259,064)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(388,556)</u>	<u>(465,516)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(104,359)</u>	<u>(98,392)</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	<u>(437,564)</u>	<u>(227,546)</u>
<b>NET LIABILITIES</b>		<u><u>(541,923)</u></u>	<u><u>(325,938)</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	8,721	4,748
Share premium account	19	2,354,260	2,074,901
Capital redemption reserve		760	760
Other reserves	19	-	121,150
Profit and loss account	19	(2,905,664)	(2,527,497)
<b>SHAREHOLDERS' FUNDS</b>	20	<u><u>(541,923)</u></u>	<u><u>(325,938)</u></u>

The financial statements were approved by the board on 22 October 2003

Signed on behalf of the board of directors

MB Durdy

Director

**BIOTEC LABORATORIES LIMITED**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2002**

	2002 £	2001 £
<b>Reconciliation of operating loss to net cash (outflow)/inflow from operating activities</b>		
Operating loss	(382,793)	(282,796)
Amortisation of intangible assets	53,560	32,738
Depreciation of tangible fixed assets	23,129	30,691
Loss on sale of fixed assets	4,738	12,133
Decrease/(increase) in debtors	175,796	(84,247)
Decrease/(increase) in stocks	38,838	(637)
(Decrease)/increase in creditors	(111,679)	352,169
Effect of exchange rates on cash flow for prior year adjustment	-	4,059
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(198,411)</u>	<u>64,110</u>
 <b>CASH FLOW STATEMENT (note 21)</b>		
Net cash (outflow)/inflow from operating activities	(198,411)	64,110
Returns on investments and servicing of finance	4,626	(17,452)
Capital expenditure	1,500	(7,266)
	<u>(192,285)</u>	<u>39,392</u>
<b>Financing</b>	136,955	(26,106)
	<u>(55,330)</u>	<u>13,286</u>
<b>(Decrease)/increase in cash</b>		
 <b>Reconciliation of net cash flow to movement in net debt (note 22)</b>		
(Decrease)/increase in cash in the year	(55,330)	13,286
Cash (inflow)/outflow from financing	25,226	26,106
Cancellation of debt	151,892	342,388
Exchange movements	-	(4,059)
	<u>121,788</u>	<u>377,721</u>
<b>Change in net debt</b>	(343,075)	(720,796)
<b>Net debt at 1 January 2002</b>		
<b>Net debt at 31 December 2002</b>	<u>(221,287)</u>	<u>(343,075)</u>

Details of major non-cash transactions are given in note 23.

**BIOTEC LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**1 ACCOUNTING POLICIES**

**(a) Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements have been prepared on a going concern basis. The ability of the company to continue as a going concern is dependant upon raising finance, further medium to long term investment, and an improvement in operating results. The directors have reviewed detailed forecasts covering the year following the approval of the financial statements and have considered specifically the current fund raising initiatives and the expectation of improved sales of current and new products. No adjustments have been made for the impairment of assets and the reclassification of liabilities which would be necessary in the event that the company is no longer a going concern.

After the year end shares with a nominal value of £36,490 were issued for a consideration of £244,612. Included within other loans at the year end was £84,500 due to the directors and shareholders of the company. They have agreed to defer repayment of the loans until such time that the financial position of the company allows. In addition to this amount a further £97,376 was introduced after the year end.

**(b) Turnover**

Turnover comprises sales at invoiced amounts less value added tax, which is recognised upon shipment of goods.

**(c) Research and Development**

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

**(d) Intangible fixed assets**

Intangible fixed assets are stated at cost less amortisation. The company capitalises costs associated with obtaining and securing patents and product licences. Amortisation is provided at rates calculated to write off the cost of intangible fixed assets, less estimated residual values, over the expected useful lives on the following bases:

Patents and licenses	20 % reducing balance
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**(e) Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of tangible fixed assets, less the estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	20 % reducing balance
Plant and machinery	20 % reducing balance and 20 % to 33.3% straight line
Motor vehicles	25 % reducing balance

**BIOTEC LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**1 ACCOUNTING POLICIES (continued)**

**(f) Stocks**

Stock is stated at the lower of cost or net realisable value. Cost is determined on a first in, first out basis. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

**(g) Deferred taxation**

Deferred taxation is provided in respect of the tax effects of all timing differences on a full provision basis, at the average rates of tax expected to apply when the timing differences reverse. This is a change in accounting policy as required by Financial Reporting Standard 19 'Deferred Tax'. This change of policy has no material impact on the comparative figures and therefore has not resulted in a prior year adjustment being required. Deferred tax assets will be provided when the uncertainties outlined in note 1(a) have reduced.

**(h) Finance and operating leases**

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

**(i) Grants**

Grants received are credited to the profit and loss accounts in the period they are utilised. Grants not yet utilised are included in liabilities.

**(j) 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 translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**(k) Pensions**

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

**BIOTEC LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**2 TURNOVER**

Turnover is attributable to one class of business.

Turnover is analysed by geographical market as follows:

	2002 £	2001 £
United Kingdom	24,661	20,098
Other	1,460,294	1,989,738
Total	<u>1,484,955</u>	<u>2,009,836</u>

All turnover originated within the United Kingdom.

**3 OPERATING LOSS**

The operating loss is stated after charging/(crediting):

	2002 £	2001 £
Amortisation of intangible assets	53,560	32,738
Depreciation of tangible fixed assets:		
- owned by the company	11,154	18,545
- held under finance lease or hire purchase contracts	11,975	12,146
Audit fees	5,800	8,500
Operating lease rentals:		
- plant & machinery	2,080	27,662
- rent	51,201	51,201
Government grants released	(5,401)	(98,254)
Cancellation of distribution agreement	-	(469,352)
Loss on disposal of fixed assets	4,738	935
Research and development	203,897	180,854
Write off of patent creditor	(151,892)	-
Restructuring costs	-	210,335
	<u>                    </u>	<u>                    </u>

During the year ended 31 December 2001, the company reached an agreement with Organon Teknika terminating a distribution agreement. In consideration for cancelling the distribution agreement, the company received £469,352, net of expenses.

During the year ended 31 December 2002, the company reached an agreement with Merck KGaA to write back a creditor of £151,892 in relation to various patents. The new agreement increases the percentages Merck KGaA are entitled to in relation to sales of certain products. The directors of the company do not consider this write off to have any impact on the carrying value of the intangible asset.

**BIOTEC LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**4 DIRECTORS' EMOLUMENTS AND BENEFITS**

	2002	2001
	£	£
Directors' emoluments	164,521	227,850
Contributions to money purchase pension schemes	5,064	5,893
	<u>169,585</u>	<u>233,743</u>

The number of directors accruing benefits under pension schemes were:

	No	No
Money purchase schemes	1	1
	<u>1</u>	<u>1</u>

One director (2001 - NIL) exercised an option to purchase shares during the year.

A total of £NIL (2001 - £110,196) was paid to third parties in respect of the provision of the services of a director.

A total of £1,875 (2001 - £2,500) was paid to a former director as compensation for loss of office.

**5 STAFF COSTS**

Staff costs, including directors' emoluments, were as follows:

	2002	2001
	£	£
Wages and salaries	580,746	597,751
Social security costs	54,873	56,478
Other pension costs	5,064	5,893
	<u>640,683</u>	<u>660,122</u>

The average monthly number of employees, including executive directors, during the year was:

	No	No
Development and Production	19	19
Sales and Distribution	6	8
Administration	2	2
Directors	2	2
	<u>29</u>	<u>31</u>



**BIOTEC LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2002	2001
	£	£
Cancellation of debt	-	342,388
Interest receivable	-	4,480
Exchange differences	3,340	20,576
	<u>3,340</u>	<u>367,444</u>

As more fully explained in note 3, in the year ended 31 December 2001, the company reached an agreement with Organon Teknika terminating a distribution agreement. In consideration for cancelling the distribution agreement, the company received a cancellation fee. In addition, debt owed to Organon Teknika amounting to £342,388 was cancelled.

**7 INTEREST PAYABLE AND SIMILAR CHARGES**

	2002	2001
	£	£
Bank loans	13,891	16,697
Other loans	(20,326)	15,463
Finance charges under finance lease and hire purchase contracts	5,149	10,348
	<u>(1,286)</u>	<u>42,508</u>

As more fully explained in note 3, in the year ended 31 December 2002, the company reached an agreement with Merck KGaA to write off a creditor balance of £151,892 in relation to monies owed for the purchase of patents. Interest of £51,934 had accrued at 31 December 2001 in relation to the overdue balance to Merck KGaA. As part of the agreement this amount was also written off and is included in interest payable on other loans.

**BIOTEC LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**8 TAXATION**

**(b) Factors affecting the tax charge for the year**

The tax assessed for the prior year is greater than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 19%. The differences are explained below:

The tax assessed for the year does not reflect a credit equivalent to the loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2002 £	2001 £
(Loss)/profit on ordinary activities before tax	<u>(378,167)</u>	<u>42,140</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 19% (2001: 19%)	(71,852)	8,007
Effects of:		
Expenses not deductible for tax purposes	3,937	4,939
Depreciation in excess of capital allowances	14,339	10,814
Utilisation of tax losses	-	(23,760)
Tax losses carried forward	53,576	-
Current tax charge for the year	<u>-</u>	<u>-</u>

**9 INTANGIBLE FIXED ASSETS**

	Patents and licenses  £
<b>Cost</b>	
At 1 January 2002 and 31 December 2002	<u>382,727</u>
<b>Amortisation</b>	
At 1 January 2002	114,928
Charge for the year	53,560
At 31 December 2002	<u>168,488</u>
<b>Net book amount</b>	
At 31 December 2002	<u>214,239</u>
At 31 December 2001	<u>267,799</u>

**BIOTEC LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**10 TANGIBLE FIXED ASSETS**

	Leasehold Improvements £	Plant and machinery £	Motor Vehicles £	Total £
<b>Cost</b>				
At 1 January 2002	43,165	147,881	49,888	240,934
Disposals	-	(6,100)	(18,350)	(24,450)
At 31 December 2002	<u>43,165</u>	<u>141,781</u>	<u>31,538</u>	<u>216,484</u>
<b>Depreciation</b>				
At 1 January 2002	21,064	93,807	26,738	141,609
Charge for year	4,421	13,042	5,666	23,129
On disposals	-	(4,339)	(13,873)	(18,212)
At 31 December 2002	<u>25,485</u>	<u>102,510</u>	<u>18,531</u>	<u>146,526</u>
<b>Net book amount</b>				
At 31 December 2002	<u>17,680</u>	<u>39,271</u>	<u>13,007</u>	<u>69,958</u>
At 31 December 2001	<u>22,101</u>	<u>54,074</u>	<u>23,150</u>	<u>99,325</u>

The net book amounts of assets held under finance lease or hire purchase contracts included above were:

	2002 £	2001 £
Leasehold improvements	17,680	22,101
Plant and machinery	8,931	13,419
Motor vehicles	13,007	23,150
	<u>39,618</u>	<u>58,670</u>

**11 STOCKS**

	2002 £	2001 £
Raw materials	<u>109,276</u>	<u>148,114</u>

**BIOTEC LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**12 DEBTORS**

	2002 £	2001 £
<b>Due within one year</b>		
Trade debtors	354,839	506,663
Other debtors	11,578	26,183
Prepayments & accrued income	10,260	19,627
	<u>376,677</u>	<u>552,473</u>

**13 DEFERRED TAX ASSET**

The total taxable losses of the company are approximately £2,250,000 at 31 December 2002 (2001 - £2,000,000).

There is an unprovided deferred tax asset of £450,000 at 31 December 2002 (2001 - £400,000). The directors have chosen not to provide for the deferred tax asset until the uncertainties outlined in note 1(a) have reduced.

**14 CREDITORS**

	2002 £	2001 £
<b>Amounts falling due within one year</b>		
Other loans (note 16)	20,000	114,754
Bank loans (note 16)	78,661	89,796
Trade creditors	444,025	450,181
Other tax and social security	15,468	41,761
Net obligations under finance lease and hire purchase contracts (note 17)	13,307	22,964
Other creditors	124,490	212,184
Accruals and deferred income	216,189	327,424
	<u>912,140</u>	<u>1,259,064</u>

**BIOTEC LABORATORIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**15 CREDITORS**

	2002 £	2001 £
<b>Amounts falling due after more than one year</b>		
Other loans (note 16)	104,500	102,138
Bank loans (note 16)	38,256	88,883
Trade creditors	290,614	-
Net obligations under finance lease and hire purchase contracts (note 17)	4,194	17,501
Accruals and deferred income	-	19,024
	<u>437,564</u>	<u>227,546</u>

As explained in note 25, some trade creditors have agreed to a monthly repayment schedule to clear the amounts due at the year end. The balances due have been disclosed in accordance with these agreements.

**16 LOANS**

Loans fall due for payment as follows:

	2002 £	2001 £
<b>Other loans</b>		
Within one year	20,000	114,754
Between one and two years	20,000	82,138
Between two and five years	84,500	20,000
	<u>124,500</u>	<u>216,892</u>
<b>Bank loans</b>		
Within one year	78,661	89,796
Between one and two years	26,589	57,275
Between two and five years	11,667	31,608
	<u>116,917</u>	<u>178,679</u>

Bank loans are secured by fixed and floating charges over the assets of the company. Bank loans are repayable in monthly instalments and bear interest at annual rates of 7.97%, 9.25% and the banks base rate plus 2.5%

Other loans are secured by a first floating charge over the book debts and the book debt proceeds. Other loans are repayable on fixed term dates and carry either no interest or interest at 5% per calendar month.

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**17 FINANCE LEASES**

Net obligations under finance lease and hire purchase agreements fall due as follows:

	<b>2002</b>	2001
	<b>£</b>	<b>£</b>
Within one year	<b>13,307</b>	22,964
Between one and five years	<b>4,194</b>	17,501
	<u><b>17,501</b></u>	<u>40,465</u>

Finance lease and hire purchase creditors are secured on the assets concerned.

**18 SHARE CAPITAL**

	<b>Authorised</b>	<b>Allotted, called up and fully paid</b>	
	<b>£</b>	<b>No</b>	<b>£</b>
At 1 January 2002			
Ordinary shares of 1p each	1,000,000	474,800	4,748
Movements in year:			
Ordinary shares of 1p each	-	397,283	3,973
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2002			
Ordinary shares of 1p each	1,000,000	872,083	8,721
	<u>          </u>	<u>          </u>	<u>          </u>

During the year 18,362 1p ordinary shares with an aggregate nominal value of £183.62 were issued for cash at par.

During the year 5,427 1p ordinary shares with an aggregate nominal value of £54.27 were issued for cash at a premium of £7.36 per share.

During the year 350,000 1p ordinary shares with an aggregate nominal value of £3,500 were issued for cash at a premium of 19p per share.

During the year 23,494 1p ordinary shares with an aggregate nominal value of £234.94 were issued at a premium of £7.36 per share. The consideration received was set off against various trade creditor balances.

In addition to the unexercised options as noted in the directors' report, there are unexercised options to purchase 7,870 1p ordinary shares for £7.37 per share, expiring on 7 February 2005.

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**19 RESERVES**

**Share premium account**

	£
At 1 January 2002	2,074,901
Premium on shares issued during the year	279,359
	<u>2,354,260</u>
At 31 December 2002	<u>2,354,260</u>

**Other reserves**

	£
At 1 January 2002	121,150
Conversion into shares	(121,150)
	<u>-</u>
At 31 December 2002	<u>-</u>

**Profit and loss account**

	£
At 1 January 2002	(2,527,497)
Loss for the year	(378,167)
	<u>(2,905,664)</u>
At 31 December 2002	<u>(2,905,664)</u>

**20 SHAREHOLDERS' FUNDS**

	2002 £	2001 £
Shareholders' funds at 1 January 2002	(325,938)	(489,228)
(Loss)/profit for the year	(378,167)	42,140
Other movements:		
New shares issued	283,332	-
Capitalisation of creditors	-	121,150
Conversion of capitalised creditors into shares	(121,150)	-
	<u>(541,923)</u>	<u>(325,938)</u>
Shareholders' funds at 31 December 2002	<u>(541,923)</u>	<u>(325,938)</u>

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**21 GROSS CASH FLOWS**

	2002 £	2001 £
<b>Returns on investments and servicing of finance</b>		
Interest received and other income	3,340	25,056
Interest paid	6,435	(32,160)
Interest element of finance lease rentals	(5,149)	(10,348)
	<u>4,626</u>	<u>(17,452)</u>
 <b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	-	(7,266)
Receipts from sales of tangible fixed assets	1,500	-
	<u>1,500</u>	<u>(7,266)</u>
 <b>Financing</b>		
Issue of share capital	162,181	-
New loans	84,500	66,212
Loans repaid	(86,762)	(57,652)
Capital element of finance lease rentals	(22,964)	(34,666)
	<u>136,955</u>	<u>(26,106)</u>

**22 ANALYSIS OF CHANGES IN NET DEBT**

	At 1 January 2002 £	Cash flows £	Other changes £	At 31 December 2002 £
Cash at bank and in hand	92,961	(55,330)	-	37,631
Debt due within 1 year	(204,550)	2,262	103,627	(98,661)
Debt due after 1 year	(191,021)	-	48,265	(142,756)
Finance leases	(40,465)	22,964	-	(17,501)
Total	<u>(343,075)</u>	<u>(30,104)</u>	<u>151,892</u>	<u>(221,287)</u>

**23 MAJOR NON-CASH TRANSACTIONS**

During the year other loans amounting to £151,862 (2001 - £342,388) were forgiven.



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**24 OTHER COMMITMENTS**

At 31 December 2002 the company had annual commitments under operating leases as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Expiry date:</b>				
Within one year	<b>17,500</b>	-	<b>2,080</b>	-
Between one and five years	<b>21,200</b>	45,300	-	2,080
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>

**25 CONTINGENT LIABILITIES**

The company has a contingent liability in respect of dilapidations payable on expiry of the property lease, amounting to £47,190.

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**26 TRANSACTIONS WITH RELATED PARTIES**

Included in trade debtors is £27,043 (2001 - £27,043) due from Biotec Diagnostics Limited, a debt which was included in the bad debt provision at both 31 December 2001 and the year end. Certain directors of the company are also directors and shareholders in Biotec Diagnostics Limited.

Included in trade creditors is £21,339 (2001 - £21,339) owed to JSD Technologies Limited, a company in which certain directors of the company are shareholders and directors. Included in other tax and social security is £27,519 (2001 - £29,619) owed to JSD Technologies Limited and £2,100 (2001 - £2,100) owed to Biotec Diagnostics Limited in respect of VAT receipts banked by Biotec Laboratories Limited. Included in trade debtors is £3,500 (2001 - £3,500) due from JSD Technologies Limited, a debt which was included in the bad debt provision at both 31 December 2001 and the year end.

Included in trade creditors is £16,232 (2001 - £16,232) owed to Anson Ventures, a company whose proprietor is M Desforges, a director and shareholder of the company.

Included in accruals and deferred income is £NIL (2001 - £12,295) owed to Professor SP Denyer, a director, for consultancy services and expenses. Included in trade creditors is £12,295 (2001 - £NIL) owed to Professor SP Denyer.

Included in other loans are loans outstanding from various directors, and trusts in which directors of the company have an interest. Also, included in accruals and deferred income is interest which has accrued on these loans at 5% per calendar month. There were no such loans in 2001:

	Capital £	Interest £
TWO'C Maskell	4,500	1,875
RC Roy	20,000	8,800
IGM Dalglish Trust	30,000	13,200
IGM Dalglish	20,000	3,567
MB Durdy	10,000	4,167
	<u>84,500</u>	<u>31,609</u>

Included in trade debtors is £1,500 (2001 - £NIL) due from TWO'C Maskell, a director, in respect of a car purchased from the company. Also, included in accruals and deferred income is accrued wages and redundancy pay of £30,025 (2001 - £NIL).

Included in accruals and deferred income is accrued wages of £25,000 (2001 - £NIL) owed to MB Durdy, a director.

Included in trade debtors is £1,043 (2001 - £165) due from Qua Tendis Limited, a company controlled by RC Roy, a director. Also, included in trade creditors is £2,829 (2001 - £7,829) due to Qua Tendis Limited.

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**27 POST BALANCE SHEET EVENTS**

The following 1p ordinary shares have been issued after the year end:

241,374 for cash at 20p per share, 9,492 set off against certain trade creditor balances at £7.37 per share, 407 for cash at £7.37 per share, 1,151,223 for cash at 5.429p per share and 2,246,551 for cash at 2.71p per share.

Agreements have been reached, or discussions are ongoing, with all substantial creditors to initiate a monthly repayment schedule to clear outstanding amounts owed.

**28 PENSION COSTS**

The company contributes to a personal pension plan. The assets of this pension arrangement are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to this fund.

**29 CONTROLLING PARTIES**

The company is currently controlled by IGM Dagleish.