



BDO Stoy Hayward
Chartered Accountants

Biotech Laboratories Limited

Report and Financial Statements

Year Ended

31 December 2000



BIOTEC LABORATORIES LIMITED

Annual report and financial statements for the year ended 31 December 2000

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Directors

IGM Dalglish (Chairman)
Professor SP Denyer
M Desforges
Dr J Diguiseppe (appointed 8 June 2000 and resigned 24 May 2001)
MA Hodgson-Hess
Professor FJ Maillardet
TWO'C Maskell
RC Roy
DJ Wade (resigned 28 June 2001)

Secretary and registered office

TWO'C Maskell, 38 Anson Road, Martlesham Heath, Ipswich, IP5 3RG

Company number

2815000

Auditors

BDO Stoy Hayward, Knapton House, 12 Lower Brook Street, Ipswich, IP4 1AT

BIOTEC LABORATORIES LIMITED

Report of the directors for the year ended 31 December 2000

The directors present their report together with the audited financial statements for the year ended 31 December 2000.

Results

The profit and loss account is set out on page 5 and shows the loss for the year.

Principal activities

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

Charitable contributions

During the year the company made charitable contributions of £305.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were as follows:

	£1 ordinary shares fully paid	
	2000	1999
IGM Dalglish	1,660	1,510
Professor SP Denyer	298	284
M Desforges	517	475
Dr J Diguiseppi (appointed 8 June 2000 and resigned 24 May 2001)	-	-
MA Hodgson-Hess	59	9
Professor FJ Maillardet	-	-
TWO'C Maskell	388	353
RC Roy	-	-
DJ Wade (resigned 28 June 2001)	380	380

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; 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.

BIOTEC LABORATORIES LIMITED

Report of the directors for the year ended 31 December 2000 (*Continued*)

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

This directors report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board

M. A. Hodgson Hess

MA Hodgson-Hess
Director

3rd October 2001

BIOTEC LABORATORIES LIMITED**Report of the independent auditors**

To the shareholders of Biotec Laboratories Limited

We have audited the financial statements of Biotec Laboratories Limited for the year ended 31 December 2000 on pages 5 to 17 which have been prepared under the accounting policies set out therein.

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 Directors' Report.

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 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.

Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in Note 3 of the financial statements concerning the uncertainty as to the achievement of projected sales of new products. 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.



BIOTEC LABORATORIES LIMITED

Report of the independent auditors

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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors
Ipswich*

3 October 2001

BIOTEC LABORATORIES LIMITED**Profit and loss account for the year ended 31 December 2000**

	Note	2000 £	1999 £
Turnover	4	1,331,948	1,254,553
Cost of sales		<u>811,265</u>	<u>737,845</u>
Gross profit		520,683	516,708
Administrative expenses		(1,461,377)	(1,455,089)
Other operating income		<u>71,360</u>	<u>28,647</u>
Operating loss	6	(869,334)	(909,734)
Interest receivable		4,494	11,651
Interest payable and similar charges	7	<u>(46,394)</u>	<u>(53,788)</u>
Loss on ordinary activities before and after taxation		(911,234)	(951,871)
Loss brought forward		<u>(1,619,810)</u>	<u>(667,939)</u>
Loss carried forward		<u><u>(2,531,044)</u></u>	<u><u>(1,619,810)</u></u>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

Movements on shareholders funds are disclosed in note 13. There was no material difference between the historical cost loss before taxation and the loss on ordinary activities before taxation in either 2000 or 1999.

The notes on pages 7 to 17 form part of these financial statements.

BIOTEC LABORATORIES LIMITED

Balance sheet at 31 December 2000

	Note	2000	1999
		£	£
Fixed assets			
Intangible assets	8	138,299	63,686
Tangible assets	9	134,883	149,185
		<u>273,182</u>	<u>212,871</u>
Current assets			
Stocks		147,477	227,589
Debtors	10	468,226	319,092
Cash at bank and in hand		79,675	535,239
		<u>695,378</u>	<u>1,081,920</u>
Creditors: amounts falling due within one year	11	<u>1,157,151</u>	<u>774,723</u>
Net current (liabilities)/assets		<u>(461,773)</u>	<u>307,197</u>
Total assets less current liabilities		<u>(188,591)</u>	<u>520,068</u>
Creditors: amounts falling due after more than one year	12	<u>262,044</u>	<u>148,269</u>
Net (liabilities)/assets		<u>(450,635)</u>	<u>371,799</u>
Capital and reserves			
Called up share capital	14	5,508	5,064
Share premium account	15	2,074,901	1,986,545
Profit and loss account	15	(2,531,044)	(1,619,810)
Shareholders' funds – all equity		<u>(450,635)</u>	<u>371,799</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on

3rd October 2001

M.A. Hodgson-Hess

MA Hodgson-Hess
Director

The notes on pages 7 to 17 form part of these financial statements.

BIOTEC LABORATORIES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000

1 Accounting policies

The financial statements have been prepared in accordance with the historical cost convention. The following principal accounting policies have been applied:

Turnover

Turnover represents sales at invoiced amounts less value added tax.

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.

Amortisation of intangible assets

Amortisation is provided to write off the cost less estimated residual values of all intangible fixed assets over their expected useful lives. It is calculated at the following rate:

Patents and licences	-	20% reducing balance
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Depreciation

Depreciation is provided to write off the cost less estimated residual values of all tangible fixed assets over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	-	20% reducing balance
Plant and machinery	-	20% reducing balance and 20% and 33⅓% straight line
Motor vehicles	-	25% reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

BIOTEC LABORATORIES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

1 Accounting policies (*continued*)

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases and hire purchase agreements'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pensions

Contributions to a personal pension plan are charged to the profit and loss account in the year in which they become payable.

Foreign currencies

Transactions in foreign currencies during the year have been converted to sterling at the rates ruling at the time of settlement or receipt. Foreign currency balances at the balance sheet date have been converted to sterling at rates ruling at the year end. All differences arising on conversion of foreign currencies are taken to the profit and loss account.

Grants

Grants in respect of revenue expenditure are credited to the profit and loss account when they are due.

2 Post balance sheet event

Organon Teknika

On 24 May 2001 Biotec Laboratories Limited (Biotec) signed an agreement with Organon Teknika Corporation (OT) that terminated the distribution agreement in respect of Phage based diagnostic tests.

As consideration for the termination, 760 Ordinary Shares held by OT, representing 13.8% of the issued share capital were returned to the Company and cancelled, US\$800,000 was paid by OT to the Company, and a loan of US\$500,000 to the company from OT was forgiven.

Dr J DiGuisseppi resigned from the Company's Board of Directors on 24 May 2001.

BIOTEC LABORATORIES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (Continued)

3 Going Concern

The financial statements have been prepared on the going concern basis. The company incurred a loss in the year of £911,234 and at the balance sheet date had net liabilities of £450,635.

The directors have prepared projected cash flow information for the period covering 12 months from the date of their approval of these financial statements. The directors forecasts indicate that the company will have sufficient resources to be able to trade throughout the period provided that projected sales of new products are achieved together with growth in sales of its traditional products at a rate similar to that in recent experience. The directors consider that the going concern basis is appropriate for the financial statements. They have reached their opinion after considering the following matters:

- The new products have achieved government approval in a key territory and have been launched in the market.
- Independent market research and distributor's forecasts on the predicted size of the new product markets.
- Orders for the new product received to date.
- Past performance of the traditional products.

The financial statements do not include any adjustments that would result from sales not reaching the projected levels.

4 Turnover

Turnover is wholly attributable to the principal activity of the company. 99% (1999: 99%) of the turnover is attributable to geographical markets outside the UK.

5 Directors' emoluments

	2000 £	1999 £
For directors' services	251,329	231,108
Company pension contributions towards personal pension scheme	5,624	5,370
	<u>256,953</u>	<u>236,478</u>

6 Operating loss

	2000 £	1999 £
This has been arrived at after charging/(crediting):		
Amortisation	34,575	15,922
Depreciation	43,549	44,693
Loss on sale of fixed assets	1,039	17,384
Hire of other assets - operating leases	24,880	24,360
Auditors' remuneration	4,750	3,295
Grants received	(98,521)	(18,399)
Development costs - current year expenditure	<u>458,758</u>	<u>464,942</u>

BIOTEC LABORATORIES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

7 Interest payable and similar charges

	2000 £	1999 £
Includes:		
Finance lease interest	11,134	2,486
Hire purchase interest	872	2,125
	<u>11,134</u>	<u>2,486</u>

8 Intangible assets

	Patents & licences £
<i>Cost</i>	
At 1 January 2000	101,822
Additions	109,188
At 31 December 2000	<u>211,010</u>
<i>Amortisation</i>	
At 1 January 2000	38,136
Provided for the year	34,575
At 31 December 2000	<u>72,711</u>
<i>Net book value</i>	
At 31 December 2000	<u>138,299</u>
At 31 December 1999	<u>63,686</u>

BIOTEC LABORATORIES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

9 Tangible assets

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 January 2000	43,165	115,797	71,463	230,425
Additions	-	30,286	-	30,286
Disposals	-	(2,394)	-	(2,394)
At 31 December 2000	43,165	143,689	71,463	258,317
<i>Depreciation</i>				
At 1 January 2000	8,633	55,831	16,776	81,240
Provided for the year	6,906	24,022	12,621	43,549
Disposals	-	(1,355)	-	(1,355)
At 31 December 2000	15,539	78,498	29,397	123,434
<i>Net book value</i>				
At 31 December 2000	27,626	65,191	42,066	134,883
At 31 December 1999	34,532	59,966	54,687	149,185

The net book value of tangible fixed assets includes an amount of £58,455 (1999: £59,224) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge for the year was £19,016 (1999: £12,768).

10 Debtors

	2000 £	1999 £
Trade debtors	340,890	295,183
Other debtors	12,212	-
Prepayments and accrued income	38,195	23,909
Amounts owed by related parties	76,929	-
	468,226	319,092

BIOTEC LABORATORIES LIMITEDNotes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)**11 Creditors: amounts falling due within one year**

	2000	1999
	£	£
Bank loan (secured)	35,234	40,000
Other loan	276,175	-
Trade creditors	244,733	278,913
Taxation and social security	27,637	29,907
Net obligation under finance lease and hire purchase contracts	26,187	19,710
Other creditors	349,384	278,384
Corporation tax	-	8,795
Accruals	84,157	71,805
Amounts owed to related parties	113,644	47,209
	<u>1,157,151</u>	<u>774,723</u>

BIOTEC LABORATORIES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

12 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Bank loans (secured)	148,100	111,667
Net obligations under finance leases and hire purchase contracts	48,944	36,602
Other creditor	65,000	-
	<u>262,044</u>	<u>148,269</u>

Included within the above are amounts falling due as follows:

	2000			1999		
	Bank Loan	Finance leases and hire purchase contracts	Other Creditor	Bank Loan	Finance leases and hire purchase contracts	Other Creditor
	£	£	£	£	£	£
In more than one year but not more than two years	70,468	27,184	25,000	40,000	12,063	-
In more than two years but not more than five years	77,632	21,760	40,000	71,667	24,539	-
	<u>148,100</u>	<u>48,944</u>	<u>65,000</u>	<u>111,667</u>	<u>36,602</u>	<u>-</u>

Bank loans

On 11 July 2001, a principal moratorium was granted in respect of the bank loans for a period of 6 months. Principal payments will recommence in January 2002 subject to acceleration in order to fully repay the loans by the original due date. The repayments have been disclosed in accordance with the terms prevailing at 31 December 2000.

BIOTEC LABORATORIES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

13 Provisions for liabilities and charges

Deferred taxation

	2000 Unprovided asset £	1999 Unprovided asset £
Accelerated capital allowances	(1,661)	(6,417)
Benefit of tax losses	(437,569)	(281,010)
Sundry timing difference	(23,520)	(12,000)
	<u>(462,750)</u>	<u>(299,427)</u>

14 Share capital

	Authorised		Allotted, called up and fully paid	
	2000 Number	1999 Number	2000 £	1999 £
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>5,508</u>	<u>5,064</u>

On 2 August 2000, 444 £1 ordinary shares were allotted at a premium of £199.00 per share.

15 Reserves and reconciliation of movements in shareholders' funds

	Profit and loss account £	Share capital £	Share premium account £	Total shareholders' funds £
At 1 January 2000	(1,619,810)	5,064	1,986,545	371,799
444 ordinary shares issued at a premium of £199.00 per share	-	444	88,356	88,800
Loss for the year	(911,234)	-	-	(911,234)
At 31 December 2000	<u>(2,531,044)</u>	<u>5,508</u>	<u>2,074,901</u>	<u>(450,635)</u>

16 Pensions

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 cost charge represents contributions payable by the company to this fund.

BIOTEC LABORATORIES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

17 Capital commitments

Contracted but not provided for:

At 31 December 2000 the company had contracted to pay £200,830 by 30 June 2001 to Merck KGaA in respect of an exclusive right by licence to employ Merck proprietary technology in the development of certain products. The contract was revised on 29 June 2001 and the amounts are now due as follows:

	2000 £	1999 £
Within one year	60,249	217,162
Within one to two years	80,332	-
Within two to five years	60,249	-
	<u>200,830</u>	<u>217,162</u>

These payments bear interest from 24 November 1997 at a rate of 8% per annum.

18 Commitments under operating leases

As at 31 December 2000, the company had annual commitments under non-cancellable operating leases as set out below:

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
In two to five years	45,300	2,080	30,000	2,080
Over five years	-	-	15,300	-
	<u>45,300</u>	<u>2,080</u>	<u>45,300</u>	<u>2,080</u>

BIOTEC LABORATORIES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

19 Related parties

i) Control

The company is controlled by the shareholders of whom six were directors at the year end. No individual shareholder holds a controlling interest in the company.

ii) Transactions and balances

During the year to 31 December 2000, Biotec Laboratories Limited entered into the following material transactions with related parties:

	2000 £	1999 £
With shareholders		
- Consultancy	19,351	12,000
- Rent	14,400	18,587
- Sales	(47,477)	-
- Hire of staff and facilities	(63,591)	(18,647)
With other related parties		
- Transfer of assets and liabilities	-	60,213
- Management charge	-	(10,000)
- Consultancy	61,000	60,349
- Purchase of consumables	24,692	35,248
- Bad debt provision	2,100	24,943
Balances at year end: debtor/(creditor)	2000 £	1999 £
JSD Technologies Limited	(49,624)	(21,339)
Suffolk Offset Limited	(4,496)	(10,900)
D Wade Limited	(6,092)	(393)
Microsens Diagnostics Limited	(5,500)	(2,500)
Anson Ventures	(33,008)	(4,167)
W Hyde - shareholder	(500)	(500)
Organon Teknika - shareholder	4,912	(1,305)
University of Brighton - shareholder	33,755	(3,000)
University of Nottingham - shareholder	23,838	(3,105)

Included within other creditors is an amount of £112,200 (1999: £60,000) relating to directors' bonuses provided but not awarded.

BIOTEC LABORATORIES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

18 Related parties (*continued*)

Nature of relationships

Biotec Diagnostics Limited, a company of which DJ Wade and IGM Dalglish are directors and shareholders, and R Roy is a director.

JSD Technologies Limited, a company of which TWO'C Maskell and Professor SP Denyer are directors and shareholders. Professor FJ Maillardet is a director. NOTICE Limited, University of Brighton Trading Company Limited, Dr SAA Jassim and Mrs L Stewart, all of whom are shareholders of Biotec Laboratories Limited, are also shareholders in JSD Technologies Limited.

Suffolk Offset Limited and D Wade Limited, companies of which DJ Wade is a shareholder and director.

Microsens Diagnostics Limited, a company of which W Hyde, a shareholder of Biotec Laboratories Limited, is a shareholder and director.

Anson Ventures, a business of which M Desforges, a shareholder and director of Biotec Laboratories Limited, is proprietor.