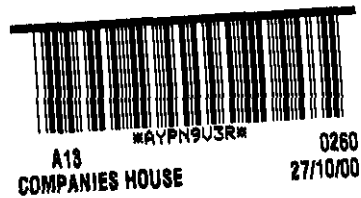


Company Registration No. 2921536 (England and Wales)

MERCIA DIAGNOSTICS LIMITED

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 1999



MERCIA DIAGNOSTICS LIMITED

COMPANY INFORMATION

Directors	D Deery C Rackham J Carey
Secretary	J Carey
Company number	2921536
Registered office	1 Admiralty Way Camberley Surrey GU15 3DT
Auditors	BKR Haines Watts 30 Camp Road Farnborough Hampshire GU14 6EW
Business address	1 Admiralty Way Camberley Surrey GU15 3DT



MERCIA DIAGNOSTICS LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 7

MERCIA DIAGNOSTICS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

The directors present their report and financial statements for the year ended 31 December 1999.

Principal activities

The principal activity of the company was that of providing employment services for its parent company, Microgen Bioproducts Limited. The company ceased to trade on 31 December 1999.

Directors

The following directors have held office since 1 January 1999:

D Deery
C Rackham
J Carey

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 December 1999	1 January 1999
D Deery	-	-
C Rackham	-	-
J Carey	-	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that BKR Haines Watts be reappointed as auditors of the company will be put to the Annual General Meeting.

MERCIA DIAGNOSTICS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

Directors' responsibilities

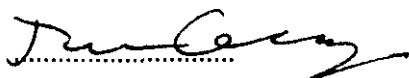
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

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

By order of the board



J Carey

Secretary

Dated.....11.10.00

MERCIA DIAGNOSTICS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF MERCIA DIAGNOSTICS LIMITED

We have audited the financial statements on pages 4 to 7 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, (effective March 1999) under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BKR Haines Watts

19 October 2000

**Registered Auditors and
Chartered Accountants**

30 Camp Road
Farnborough
Hampshire
GU14 6EW

MERCIA DIAGNOSTICS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 £	1998 £
Turnover		861,087	853,889
Administrative expenses		(805,800)	(794,082)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	55,287	59,807
Tax on profit on ordinary activities	3	-	(12,560)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		55,287	47,247
Dividends		(74,325)	(40,000)
		<hr/>	<hr/>
Retained (loss)/profit for the year	8	(19,038)	7,247
		<hr/> <hr/>	<hr/> <hr/>

MERCIA DIAGNOSTICS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1999

	Notes	1999 £	£	1998 £	£
Current assets					
Debtors	4	99,321		96,867	
Creditors: amounts falling due within one year	5	(99,318)		(77,826)	
Total assets less current liabilities			<u>3</u>		<u>19,041</u>
Capital and reserves					
Called up share capital	7		3		3
Profit and loss account	8		-		19,038
Shareholders' funds			<u>3</u>		<u>19,041</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 and with the Financial Reporting Standard for Smaller Entities (effective March 1999).

The financial statements were approved by the Board on 11.10.00 and signed on its behalf by :


J Carey
Director

MERCIA DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities.

The company has taken advantage of the exemption from the requirement to produce a cashflow statement on the grounds that it is a small company.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24. The assets of the scheme are held in a separately administered fund.

1.4 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 Operating profit

	1999	1998
	£	£
Operating profit is stated after charging:		
Directors' emoluments	219,354	212,533

Auditors remuneration of £1,500 (1998-£1,500) is borne by the holding company.

3 Taxation

	1999	1998
	£	£
U.K. current year taxation		
U.K. corporation tax at 20% (1998 - 21%)	-	12,560

There is no liability to corporation tax due to the availability of group relief.

4 Debtors

	1999	1998
	£	£
Amounts owed by group undertakings and undertakings in which the company has a participating interest	95,156	92,702
Other debtors	4,165	4,165
	99,321	96,867

MERCIA DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

5	Creditors: amounts falling due within one year	1999 £	1998 £
	Taxation and social security	20,194	34,049
	Other creditors	79,124	43,777
		<u>99,318</u>	<u>77,826</u>

6 Pension costs

During the year the company contributed £28,958 (1998 - £28,148) to the directors, self administered pension scheme and £20,579 (1998 - £23,941) to the independently administered staff pension scheme. Prepaid pension contributions amounted to £4,165 (1998 - £4,165).

7	Share capital	1999 £	1998 £
	Authorised		
	100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
	Allotted, called up and fully paid		
	3 Ordinary shares of £1 each	<u>3</u>	<u>3</u>

8 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 1999	19,038
Retained loss for the year	(19,038)
Balance at 31 December 1999	<u>-</u>

9 Control

The ultimate parent company is Microgen Bioproducts limited, a company registered in England and Wales.

10 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard for Smaller Entities from the requirement to make disclosures concerning related parties, as consolidated financial statements are available.