

REGISTERED NUMBER: 3071324

England and Wales

XiMED GROUP PLC  
(formerly ENERGISER PLC)  
REPORTS AND ACCOUNTS  
31 DECEMBER 1998



M R SALVAGE & CO

Chartered Accountants

**XiMed GROUP PLC**

**(formerly Energiser PLC)**

**Officers and Professional Advisers**

**THE BOARD OF DIRECTORS**

**Professor D E Young  
Mr K W Brooks  
Mr A B Baldry**

**COMPANY SECRETARY**

**Oxford Corporate Services Limited**

**REGISTERED OFFICE**

**1 Des Roches Square  
Witan Way  
Witney  
OXON  
OX8 6BE**

**AUDITORS**

**M R Salvage & Co  
7/8 Eghams Court  
Boston Drive  
Bourne End  
Buckinghamshire  
SL8 5YS**

**BANKERS**

**Barclays Bank PLC  
Oxford City Centre Branch  
P O Box 333  
Oxford  
OX1 3HS**

**SOLICITORS**

**BrookStreet Des Roches  
1 Des Roches Square  
Witan Way  
Witney  
OXON  
OX8 6BE**

**STOCKBROKERS**

**J M Finn & Co  
Salisbury House  
London Wall  
LONDON EC2M 5TA**

## **XiMed GROUP PLC**

**(formerly Energiser PLC)**

### **CHAIRMAN'S REPORT TO 1998 FINANCIAL ACCOUNTS**

The last year saw nothing less than a revolution both in the Company's organisation and its prospects. Reorganised as XiMed Group PLC, the Company, through subsidiaries acquired during the year, now has six important pharmaceutical entities under development and hopes to commence outward-licensing activities towards the end of 1999. It has completely reorganised its marketing and sales operation for its original product Prevacan and has secured new marketing and distribution arrangements which have now begun.

XiMed now acts as the holding company for subsidiaries which are active in the pharmaceutical, nutraceutical and biomedical fields and which integrate readily through being mutually supportive in business dealings and through having commonality of technical interest. XiMed also manages and owns Group intellectual property (IP) interests and fulfils the principal strategic management and treasury functions.

In March, the Group was relocated to premises at Harwell International Business Centre for Science and Technology (formerly Harwell Atomic Energy Establishment).

The new Harwell location has already provided tremendous benefits in allowing newly acquired subsidiaries, Reductogen Limited and BioClinical Services Limited to establish dialogues with the Rutherford Appleton Laboratory and AEA Technology BioSciences, both of which are on site.

Growth of the Group in ethical (prescription) markets will be met by development and licensing activities related to the Reductogen portfolio and it is hoped this will produce the first licensing deal in late 1999.

Of the total expenditure in 1998, over £600,000 is justifiably attributable to restructuring and reorganising the Group so that it is now poised to progress and grow. Whilst your Board cannot promise that expenditure will fall, it is certain that future spending will not only be prudent but will also be directed towards the generation of profits and steady growth. The Group is now sensibly structured and firmly run from a manageable cost base. The management team has a clear vision of the Group's future and how its aims will be achieved.


Your Board (strengthened in August by the addition of Mr Tony Baldry MP, a former Minister at MAFF and The Foreign Office), intends to go forward and employ its new strengths to build financial success.

It is remarkable that so much has been achieved in so short a time. XiMed Group PLC has emerged into an integrated micro pharmaceutical group. As such it is a very rare entity. Your Company now has expertise ranging from new drug acquisition, pharmaceutical and nutraceutical development to contract analysis, a clinical trials co-ordination capability and professional management, marketing and sales staff.

My especial thanks are due to Professor David Young for his outstanding efforts during the last year.

There are some exciting developments ahead. We look forward to the future.

K W Brooks  
Chairman  
April 1999

A handwritten signature in dark ink, appearing to read 'K W Brooks', written in a cursive style.

**XiMED GROUP PLC**  
**(formerly ENERGISER PLC)**  
**REPORT OF THE DIRECTORS**

The directors present their annual report with the accounts of the Company for the year ended 31 December 1998.

On 15 July 1998 the Company changed its name from Energiser PLC to XiMed Group PLC.

**Principal activity**

The principal activity of the Company in the year under review was that of the marketing and distribution of health related products.

The review of this year's business activities are as set out in the Chairman's Statement and Chief Executive's report.

**Results and dividends**

The loss for the year after taxation amounted to £967,329 and is dealt with as on page 13. The directors are unable to recommend any dividend.

**Directors**

The directors in office in the year and their beneficial interests in the Company's issued ordinary share capital at the end of the year or the date of resignation were as follows:-

	Ordinary shares of £0.01 each	
	<u>1998</u>	<u>1997</u>
Professor D E Young (appointed 20 February 1998)	158,665	-
Professor L Denis (resigned 18 December 1998)	-	-
C G Hoyer Millar (resigned 28 May 1998)	869,500	1,887,500
Professor K Griffiths (resigned 18 December 1998)	-	332,000
K W Brooks	416,165	-
J Blackwell (resigned 28 May 1998)	900,000	900,000
A B Baldry (appointed 15 July 1998)	-	-
	<hr/>	<hr/>
	2,244,330	3,119,500
	<hr/>	<hr/>

K W Brooks has 277,780 share options exercisable at £0.342 per share. The options were granted in June 1996 and April 1997.

The directors have no interest in the shares of any other Group Company, including rights to subscribe for shares.

**Directors' responsibilities**

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

**REPORT OF THE DIRECTORS**

... continued ...

**Directors' responsibilities** (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**Payment of creditors**

It is the Group's and Company's policy to pay suppliers within an acceptable period of allowed creditors' days in accordance with the agreed terms. The Company acted in accordance with this policy throughout the year.

Creditors days at 31 December 1998 averaged 60 days for the year under review.

**Auditors**

The Auditors, M R Salvage & Co., will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

Signed on behalf of the Board of Directors:



Oxford Corporate Services Limited, Secretary

Approved by the Board on:

15<sup>th</sup> April 1999

**Registered Office:**

1 Des Roches Square  
Witan Way  
Witney  
Oxfordshire  
OX8 6BE

**XiMED GROUP PLC**  
**(formerly ENERGISER PLC)**  
**AUDITORS' REPORT**  
**TO THE SHAREHOLDERS OF XiMED GROUP PLC**

We have audited the accounts on pages 13 to 37 which have been prepared under the historical cost convention and the accounting policies set out on pages 19 and 20.

**Respective responsibilities of directors and auditors**

As described on pages 10 and 11, the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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, reliable and relevant evidence to give reasonable assurance that the accounts are free from material misstatements, 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1998 and of the Group's results for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

15<sup>th</sup> April 1999

*M R Salvage & Co*  
*M R Salvage & Co*

M R Salvage & Co  
 Chartered Accountants and  
 Registered Auditors

7/8 Eghams Court  
 Boston Drive  
 Bourne End  
 Buckinghamshire  
 SL8 5YS

**(formerly ENERGISER PLC)**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 1998**

		Continuing operations	Acquisitions	Total continuing operations	
	Note	1998	1998	1998	1997
		£	£	£	£
<b>Turnover</b>	2	75,504	28,150	103,654	459,806
Cost of sales		( 74,765)	(14,995)	( 89,760)	(221,068)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Gross (loss)/profit</b>		739	13,155	13,894	238,738
Administration expenses		(745,077)	(223,864)	( 968,941)	(360,953)
Amortisation of goodwill		-	(101,856)	( 101,856)	-
		<hr/>	<hr/>	<hr/>	<hr/>
Other operating income	4	(744,338)	(312,565)	(1,056,903)	(122,215)
		55,377	2,500	57,877	9,000
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Operating loss</b>	3	(688,961)	(310,065)	( 999,026)	(113,215)
Interest receivable and similar income				28,784	33,043
				<hr/>	<hr/>
				( 970,242)	( 80,172)
Interest (payable) and similar charges	5			( 7,033)	( 402)
Amounts written off investments	8			-	( 64,050)
				<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>				( 977,275)	(144,624)
Tax on loss on ordinary activities	7			9,946	-
				<hr/>	<hr/>
<b>Loss on ordinary activities after taxation</b>				( 967,329)	(144,624)
				<hr/>	<hr/>
<b>Retained loss for the financial year</b>				£( 967,329)	£(144,624)
				<hr/>	<hr/>
<b>Earnings per share (pence)</b> <sup>9</sup>				(11.7)	(2.0)

**Continuing operations**

None of the Company's activities was discontinued during the above two financial years.

**Total recognised gains and losses**

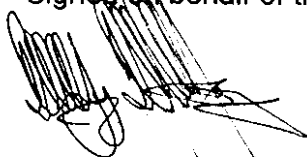
The Company has no recognised gains or losses other than the profit or loss for the above two financial years.



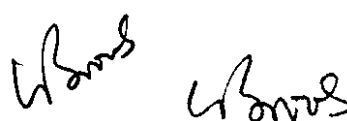
**XIMED GROUP PLC****(formerly ENERGISER PLC)****CONSOLIDATED BALANCE SHEET - 31 DECEMBER 1998**

		<u>1998</u>	<u>1997</u>
	<u>Note</u>	<u>£</u>	<u>£</u>
<b>Fixed Assets</b>			
Intangible assets	10	9,593	5,943
Goodwill	11	1,134,971	-
Negative goodwill	11	( 25,142)	-
		<hr/>	<hr/>
Net goodwill		1,109,829	-
Tangible assets	12	226,741	7,162
Investments	13	-	2
		<hr/>	<hr/>
		1,346,163	13,107
		<hr/>	<hr/>
<b>Current Assets</b>			
Stock	14	12,100	1,227
Debtors	15	59,809	320,946
Cash at bank and in hand		217,170	870,993
		<hr/>	<hr/>
		289,079	1,193,166
<b>Creditors:</b> amounts falling due within one year	16	( 203,143)	( 77,446)
		<hr/>	<hr/>
<b>Net Current Assets</b>		85,936	1,115,720
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		1,432,099	1,128,827
<b>Creditors:</b> amounts falling due after more than one year	17	( 32,351)	-
		<hr/>	<hr/>
<b>Net assets</b>		£1,399,748	£1,128,827
		<hr/>	<hr/>
<b>Capital and Reserves:</b>			
Called up share capital	18	82,797	76,297
Share premium account	19	1,526,703	1,526,703
Merger reserve	20	1,231,750	-
Profit and loss account	21	(1,441,502)	( 474,173)
		<hr/>	<hr/>
<b>Shareholders' funds - equity interests</b>	22	£1,399,748	£1,128,827
		<hr/>	<hr/>

Signed on behalf of the Board of Directors:



Professor D E Young, Director



K W Brooks Esq, Director

Approved by the Board on:

15<sup>th</sup> April 1999

**XiMED GROUP PLC**

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**(formerly ENERGISER PLC)****BALANCE SHEET - 31 DECEMBER 1998**

		<u>1998</u>	<u>1997</u>
	<u>Note</u>	<u>£</u>	<u>£</u>
<b>Fixed Assets</b>			
Intangible assets	10	9,593	5,943
Tangible assets	12	10,546	7,162
Investments	13	1,409,918	165,000
		<hr/>	<hr/>
		1,430,057	178,105
		<hr/>	<hr/>
<b>Current Assets</b>			
Stock	14	-	1,227
Debtors	15	312,299	320,946
Cash at bank and in hand		203,033	870,993
		<hr/>	<hr/>
		515,332	1,193,166
<b>Creditors:</b> amounts falling due within one year	16	( 169,829)	( 242,444)
		<hr/>	<hr/>
<b>Net Current Assets</b>		345,503	950,722
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		1,775,560	1,128,827
		<hr/>	<hr/>
<b>Net assets</b>		£1,775,560	£1,128,827
		<hr/>	<hr/>
<b>Capital and Reserves:</b>			
Called up share capital	18	82,797	76,297
Share premium account	19	1,526,703	1,526,703
Merger reserve	20	1,231,750	-
Profit and loss account	21	(1,065,690)	( 474,173)
		<hr/>	<hr/>
<b>Shareholders' funds - equity interests</b>	22	£1,775,560	£1,128,827
		<hr/>	<hr/>

Signed on behalf of the Board of Directors:



Professor D E Young, Director



K W Brooks Esq, Director

Approved by the Board on:

15<sup>th</sup> April 1999

**XiMED GROUP PLC****(formerly ENERGISER PLC)****CONSOLIDATED CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 1998**

		<u>1998</u>		<u>1997</u>	
	<u>Note</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<b>Net cash outflow from operating activities</b>	(b)		(549,350)		(377,313)
<b>Returns on investments and servicing of finance</b>					
Interest received		28,784		26,193	
Interest paid		( 1,423)		( 402)	
Interest element of finance leases		( 5,608)		-	
			21,753		25,791
<b>Taxation</b>					
Corporation tax received			11,315		-
<b>Capital expenditure and financial investment</b>					
Purchase of intangible fixed assets		( 4,976)		(3,000)	
Purchase of tangible fixed assets		(63,396)		(4,280)	
Sale of fixed assets		851		880	
			( 67,521)		( 6,400)
<b>Acquisitions</b>					
Purchase of subsidiary undertaking	(d)	( 6,666)		(11,500)	
Overdraft acquired on purchase of subsidiary		(48,860)		-	
			( 55,526)		( 11,500)
<b>Cash outflow before financing</b>			(639,329)		(369,422)
<b>Financing</b>					
Issue of equity share capital		-		9,630	
Capital element of finance leases		(13,371)		-	
Share premium on issue of equity share capital		-		938,370	
			( 13,371)		948,000
<b>(Decrease)/increase in cash during the year</b>	(a) and (c)		£(652,700)		£578,578

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 1998**

... continued ...

**(a) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
(Decrease)/increase in cash in the year	(652,700)	578,578
Translation difference	( 433)	56
Finance lease capital repayments	13,371	-
Finance lease taken over on purchase of subsidiary	( 78,073)	-
	<hr/>	<hr/>
Change in net funds	(717,835)	578,634
Net funds at 1 January 1998	870,303	291,669
	<hr/>	<hr/>
Net funds at 31 December 1998	£152,468	£870,303
	<hr/>	<hr/>

**(b) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Operating loss	(999,026)	(113,215)
Depreciation	24,433	5,353
Loss on disposal of fixed assets	-	195
(Increase)/decrease in debtors	301,670	(301,972)
Increase in creditors	30,831	31,789
Decrease/(increase) in stock	( 10,873)	( 1,227)
Loss on foreign currency	433	( 56)
Amortisation of trademarks	1,326	1,820
Goodwill amortisation (net)	101,856	-
	<hr/>	<hr/>
Net cash flow from operating activities	£(549,350)	£(377,313)
	<hr/>	<hr/>

**XiMED GROUP PLC****(formerly ENERGISER PLC)****NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 1998**

... continued ...

**(c) ANALYSIS OF CHANGES IN NET FUNDS**

	<u>At 01.01.98</u>	<u>Finance lease taken over</u>	<u>Cash flows</u>	<u>Exchange movement</u>	<u>At 31.12.98</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cash at bank and in hand	870,303	-	(652,700)	(433)	217,170
Finance leases and hire purchase contracts	-	(78,073)	13,371	-	( 64,702)
	<u>£870,303</u>	<u>£(78,073)</u>	<u>£(639,329)</u>	<u>£(433)</u>	<u>£152,468</u>

**(d) PURCHASE OF SUBSIDIARY UNDERTAKING**

Net assets required at fair value

	<u>£</u>
Tangible fixed assets	181,467
Stocks	7,715
Debtors	33,810
Bank overdraft	( 48,860)
Current liabilities	(141,001)
	<u>33,131</u>
Negative goodwill	( 26,465)
	<u>£ 6,666</u>

**XiMED GROUP PLC**  
**(formerly ENERGISER PLC)**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

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**1. ACCOUNTING POLICIES**

**Basis of accounting**

The accounts have been prepared in accordance with statements of standard accounting practice issued by UK accounting bodies.

The statutory accounts have been prepared under the historical cost convention.

The Group accounts combine the accounts of XiMed Group PLC and its wholly owned subsidiaries Phytogenics Limited, Reductogen Limited, BioClinical Services Limited and Energiser Limited made up to 31 December 1998. No profit and loss account is presented for XiMed Group PLC as provided by S.230(3) of the Companies Act 1985. The loss dealt with in the accounts of the holding Company was £591,517 before tax.

**Turnover**

Turnover represents amounts invoiced by the Group in respect of goods sold and services rendered during the year stated net of value added tax.

**Depreciation of tangible fixed assets**

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over the expected useful life as follows:-

Plant and equipment	-20% on a reducing balance basis
Furniture, fixtures and fittings	-25% per annum on a straight line basis
	-15% per annum on a reducing balance basis
Computer and office equipment	-33.33% per annum on a straight line basis

**Amortisation**

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:-

Trademarks	-10% per annum on a straight line basis
Goodwill on consolidation	-10% per annum on a straight line basis

**Leases**

Assets held under finance leases or hire purchase agreement and the related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the agreements. The excess of the payments over the recorded obligations are treated as finance charges which are amortised over the term of each agreement to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

**XiMED GROUP PLC**  
**(formerly ENERGISER PLC)**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

... continued ...

1. **ACCOUNTING POLICIES** (continued)

**Intangible fixed assets**

Goodwill arising on consolidation is capitalised and amortised over its useful economic life. Costs in relation to trademarks are capitalised when they are incurred and are then written off over the shorter of their useful economic lives and the life of the trademark.

Research and development costs in relation to all existing products are written off in the year in which they are incurred.

**Stock and work in progress**

Stock and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

**Government grants**

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal instalments.

**Deferred taxation**

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

**Pension costs**

The Group operates a Defined Contribution Pension Scheme for its directors and employees. Pension costs charged against profits represent the amounts payable to the Scheme in respect of the year. The assets of the Scheme are held separately from those of the Company in an independently administered fund.

**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 of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**XiMED GROUP PLC**

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**(formerly ENERGISER PLC)**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1998**

... continued ...

**2. TURNOVER AND GROUP LOSS**

The turnover and loss of the Group during the year is attributable to the one principal activity of the Group.

An analysis of turnover is below:-

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
United Kingdom	85,509	94,055
E.C.	6,297	235,816
U.S.A.	-	117,435
Rest of the World	11,848	12,500
	<hr/>	<hr/>
	£103,654	£459,806
	<hr/>	<hr/>

**3. OPERATING LOSS**

The operating loss is stated after charging:

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Net (profit)/loss on foreign exchange	433	( 56)
Loss on disposal of fixed assets	-	195
Amortisation	1,326	1,820
Auditors' remuneration	9,730	3,800
Depreciation:-		
- owned assets	14,978	5,353
- leased assets	9,455	-
Operating lease rentals:-		
- land and buildings	26,195	13,000
- others	18,624	-
	<hr/>	<hr/>

**4. OTHER OPERATING INCOME**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Compensation from overseas distributor	54,026	-
Rent received	3,851	9,000
	<hr/>	<hr/>
	£57,877	£9,000
	<hr/>	<hr/>



**XIMED GROUP PLC**  
**(formerly ENERGISER PLC)**  
**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1998**

... continued ...

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Bank interest	83	402
Hire purchase finance and leasing	6,950	-
	<hr/>	<hr/>
	£7,033	£402
	<hr/>	<hr/>

**6. EMPLOYEES AND DIRECTORS**

During the year staff costs, including executive directors, amounted to:-

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Wages and salaries	162,125	106,661
Social security costs	12,998	10,684
Other pension costs	14,652	18,079
	<hr/>	<hr/>
	£189,775	£135,424
	<hr/>	<hr/>

The average weekly number of employees during the year was as follows:-

	<u>No</u>	<u>No</u>
	<u></u>	<u></u>
Administration	2	1
Production	4	-
Management	12	7
	<hr/>	<hr/>
	18	8
	<hr/>	<hr/>

Directors' emoluments

Staff costs include the following emoluments in respect of directors:-

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Directors' remuneration	63,292	110,978
Pension contributions	12,051	18,079
Loss of office	30,000	-
	<hr/>	<hr/>
	£105,343	£129,057
	<hr/>	<hr/>

The number of directors who are accruing benefits under Company pension schemes were as follows:-

	<u>1998</u>	<u>1997</u>
	<u></u>	<u></u>
Money purchase schemes	1	1

**(formerly ENERGISER PLC)****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 1998**

... continued ...

**7. TAXATION**

	<u>1998</u>	<u>1997</u>
Prior year over provision	<u>£9,946</u>	<u>£ -</u>

No liability to U.K. corporation tax arose on ordinary activities for the year ended 31 December 1998 nor for the year ended 31 December 1997.

**8. AMOUNTS WRITTEN OFF INVESTMENTS**

	<u>1998</u>	<u>1997</u>
Amounts written off investments	<u>£ -</u>	<u>£64,050</u>

This amount relates to the Group's decision to write off its investment in Healthwise Distribution Limited in which it had a 49.8% interest at the end of 1997. The investment in Healthwise Distribution Limited was sold during the year.

**9. EARNINGS PER SHARE**

	<u>1998</u>	<u>1997</u>
Earnings per ordinary share (pence)	<u>(11.7)</u>	<u>(2.0)</u>

Earnings per share have been calculated on the net basis on the loss on ordinary activities after taxation of £967,329 (1997 : £(144,626) using the average number of ordinary shares in issue of 8,279,670 (1997 : 7,148,200).

**XiMED GROUP PLC**  
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**10. INTANGIBLE FIXED ASSETS - GROUP AND COMPANY**

	<u>Licences and trademarks</u>
	<u>£</u>
<b>Cost</b>	
At 1 January 1998	8,292
Acquisitions/additions	4,976
	<hr/>
At 31 December 1998	£13,268
	<hr/>
<b>Amortisation</b>	
At 1 January 1998	2,349
Charge for the year	1,326
	<hr/>
At 31 December 1998	£ 3,675
	<hr/>
<b>Net book value</b>	
At 31 December 1998	£ 9,593
	<hr/>
<b>Net book value</b>	
At 31 December 1997	£ 5,943
	<hr/>

**(formerly ENERGISER PLC)****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 1998**

... continued ...

**11. GOODWILL**

	<u>Positive goodwill</u>	<u>Negative goodwill</u>	<u>Net goodwill</u>
	<u>£</u>	<u>£</u>	<u>£</u>
<b>Cost</b>			
At 1 January 1998	-	-	-
Arising on acquisitions (note 13)	1,238,150	26,465	1,211,685
	<hr/>	<hr/>	<hr/>
At 31 December 1998	£1,238,150	£26,465	£1,211,685
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
At 1 January 1998	-	-	-
Charge/write back for the year	103,179	1,323	101,856
	<hr/>	<hr/>	<hr/>
At 31 December 1998	£ 103,179	£ 1,323	£ 101,856
	<hr/>	<hr/>	<hr/>
<b>Net book value at 31 December 1998</b>	<b>£1,134,971</b>	<b>£25,142</b>	<b>£1,109,829</b>
	<hr/>	<hr/>	<hr/>

**XiMED GROUP PLC**  
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**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1998**

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**12. TANGIBLE FIXED ASSETS - GROUP**

	<u>Plant and equipment</u>	<u>Furniture, fixtures and fittings</u>	<u>Computer and office equipment</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<b>Cost</b>				
At 1 January 1998	-	3,987	9,804	13,791
Assets acquired from new subsidiaries	281,970	32,923	-	314,893
Additions	52,733	9,668	995	63,396
Disposals	( 3,500)	( 1,259)	( 813)	( 5,572)
	<hr/>			
At 31 December 1998	£331,203	£45,319	£9,986	£386,508
	<hr/>			
<b>Depreciation</b>				
At 1 January 1998	-	1,421	5,208	6,629
Assets acquired from new subsidiaries	113,662	19,764	-	133,426
Provided in the year	16,904	4,200	3,329	24,433
On disposals	( 3,500)	( 500)	( 721)	( 4,721)
	<hr/>			
At 31 December 1998	£127,066	£24,885	£7,816	£159,767
	<hr/>			
<b>Net book value</b>				
At 31 December 1998	£204,137	£20,434	£2,170	£226,741
	<hr/>			
<b>Net book value</b>				
At 31 December 1997	£ -	£ 2,566	£4,596	£ 7,162
	<hr/>			

The net book value of £204,137 for plant and equipment includes £75,639 (1997 : £94,549) in respect of assets held under finance leases. The amount of depreciation in respect of such assets amounted to £18,910 (1997 : £2,504).

... continued ...

**12. TANGIBLE FIXED ASSETS - COMPANY (continued)**

	<u>Furniture, fixtures and fittings</u>	<u>Computer and office equipment</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
<b>Cost</b>			
At 1 January 1998	3,987	9,804	13,791
Additions	9,668	995	10,663
Disposals	( 1,259)	( 813)	( 2,072)
At 31 December 1998	£12,396	£9,986	£22,382
<b>Depreciation</b>			
At 1 January 1998	1,421	5,208	6,629
Provided in the year	3,099	3,329	6,428
On disposals	( 500)	( 721)	( 1,221)
At 31 December 1998	£ 4,020	£7,816	£11,836
<b>Net book value</b>			
At 31 December 1998	£8,376	£2,170	£10,546
<b>Net book value</b>			
At 31 December 1997	£ 2,566	£4,596	£ 7,162

**13. FIXED ASSET INVESTMENTS - COMPANY**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Shares in subsidiary undertakings at cost:-		
Balance at 1 January 1998 (re-stated)	165,000	-
Additions in the year	1,244,918	165,000
	£1,409,918	£165,000

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... continued ...

**13. FIXED ASSET INVESTMENTS - COMPANY (continued)**

The investment in subsidiary companies comprises the following:-

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Phytogenics Limited	165,000	165,000
BioClinical Services Limited	6,666	-
Reductogen Limited	1,238,250	-
Energiser Limited	2	-
	<hr/>	<hr/>
	£1,409,918	£165,000
	<hr/>	<hr/>

Energiser Limited did not trade during the year.

At 31 December 1997 the investment in Phytogenics was shown at £2 representing the net of the cost of the shares less an amount due to the subsidiary company in respect of share capital not paid. The comparative figures for investments and creditors have been re-stated in the Company's balance sheet for consistency. This re-statement does not affect the retained reserves at 31 December 1997.

The activities of the Company's subsidiary undertakings are as follows:-

**Phytogenics Limited**

- Management, development and marketing of nutraceuticals

**Reductogen Limited**

- Development and licensing of pharmaceutical products

**Energiser Limited**

- Dormant

All the subsidiary undertakings are wholly owned and incorporated in Great Britain.

**(formerly ENERGISER PLC)**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1998**

... continued ...

**13. FIXED ASSET INVESTMENTS - COMPANY (continued)**

**ACQUISITIONS DURING THE YEAR**

During the year XiMed Group PLC made the following acquisitions:-

<u>Reductogen Limited</u>	£
Book value and fair value of assets acquired	100
Consideration	1,238,250
	<hr/>
Goodwill on acquisition	£1,238,150
	<hr/>

The Company acquired the entire issued share capital of Reductogen Limited on 20 February 1998 through a share for share exchange by the issue of 650,000 ordinary shares of £0.01 in XiMed Group PLC to acquire the 100 issued ordinary shares of £1 each in Reductogen Limited.

The premium on the shares issued in this transaction of £1,231,750 has been transferred to a merger reserve as permitted by the Companies Act 1985.

**BioClinical Services Limited**

	<u>Book value of assets</u>	<u>Fair value adjustments</u>	
	£	£	£
Tangible fixed assets	151,467	30,000	181,467
Current assets	41,525	-	41,525
Current liabilities	(189,861)	-	(189,861)
	<hr/>	<hr/>	<hr/>
	3,131	30,000	33,131
Consideration			6,666
			<hr/>
Negative goodwill on acquisition			£ 26,465
			<hr/>

The Company acquired the entire issued share capital of BioClinical Services Limited on 8 July 1998.



**XiMED GROUP PLC****(formerly ENERGISER PLC)****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 1998**

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**14. STOCK - GROUP**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Raw materials	12,100	1,227
Work in progress	-	-
	<hr/>	<hr/>
	£12,100	£1,227
	<hr/>	<hr/>

**STOCK - COMPANY**

Raw materials	-	1,227
Work in progress	-	-
	<hr/>	<hr/>
£	-	£1,227
	<hr/>	<hr/>

**15. DEBTORS - GROUP**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Amounts falling due within one year:-		
Trade debtors	11,477	124,801
Other debtors	2,808	168,856
Prepayments and accrued income	19,102	16,654
VAT recoverable	26,422	10,635
	<hr/>	<hr/>
	£59,809	£320,946
	<hr/>	<hr/>

**DEBTORS - COMPANY**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Amounts falling due within one year:-		
Trade debtors	1,358	124,801
Other debtors	2,708	168,856
Prepayments and accrued income	15,276	16,654
VAT recoverable	22,101	10,635
Amounts due from Group undertakings	270,856	-
	<hr/>	<hr/>
	£312,299	£320,946
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1998**

... continued ...

**16. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR - GROUP**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Bank overdraft	-	690
Trade creditors	121,700	12,279
Other taxes and social security costs	7,306	3,945
Other creditors	-	15,067
Accruals and deferred income	41,786	45,465
Obligations under finance leases and hire purchase contracts	32,351	-
	<u>£203,143</u>	<u>£77,446</u>

**CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR - COMPANY**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Bank overdraft	-	690
Trade creditors	54,691	12,279
Other taxes and social security costs	4,020	3,945
Other creditors	-	15,067
Accruals and deferred income	7,795	45,465
Amounts due to Group undertakings	103,323	164,998
	<u>£169,829</u>	<u>£242,444</u>

The comparative amount due to Group undertakings has been re-stated (see note 13)

**17. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - GROUP**

	<u>1998</u>	<u>1997</u>
Obligations under finance leases and hire purchase contracts	£32,351	£ -
	<u>£32,351</u>	<u>£ -</u>
Debt due after more than 1 year		
- repayable within 2 to 5 years by instalments	£32,351	£ -
	<u>£32,351</u>	<u>£ -</u>

**XiMED GROUP PLC**  
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**18. CALLED UP SHARE CAPITAL**

	<u>1998</u>	<u>1997</u>
Authorised 30,000,000 ordinary shares of £0.01 each	£300,000	£100,000
	<hr/>	<hr/>
Allotted, called up and fully paid 8,279,670 ordinary shares of £0.01 each	£ 82,797	£ 76,297
	<hr/>	<hr/>

The authorised share capital was increased by £200,000 on 15 July 1998. Options have been granted on 666,660 shares at £0.342 each. The options are exercisable between 15 July 1996 and 14 July 2006. On 20 February 1998 650,000 ordinary shares were issued at par for the acquisition of Reductogen Limited (note 13).

**19. SHARE PREMIUM ACCOUNT - GROUP**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Balance brought forward	1,526,703	588,333
Premium on shares issued in the year	-	953,370
Share issue expenses	-	( 15,000)
	<hr/>	<hr/>
	£1,526,703	£1,526,703
	<hr/>	<hr/>

**SHARE PREMIUM ACCOUNT - COMPANY**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Balance brought forward	1,526,703	588,333
Premium on shares issued in the year	-	953,370
Share issue expenses	-	( 15,000)
	<hr/>	<hr/>
	£1,526,703	£1,526,703
	<hr/>	<hr/>

**XiMED GROUP PLC**  
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**NOTES TO THE ACCOUNTS**

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**FOR THE YEAR ENDED 31 DECEMBER 1998**

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**20. MERGER RESERVE**

	<u>1998</u>	<u>1997</u>
<u>GROUP</u>		
Additions in year	£1,231,750	£ -
	<hr/>	<hr/>
<u>COMPANY</u>		
Additions in year	£1,231,750	£ -
	<hr/>	<hr/>

The merger reserve was created on the acquisition of Reductogen Limited on 20 February 1998 (note 13).

**21. PROFIT AND LOSS ACCOUNT RESERVE - GROUP**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
At 1 January 1998	(474,173)	(329,549)
Retained loss for the year	(967,329)	(144,624)
	<hr/>	<hr/>
At 31 December 1998	£(1,441,502)	£(474,173)
	<hr/>	<hr/>

**PROFIT AND LOSS ACCOUNT RESERVE - COMPANY**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
At 1 January 1998	( 474,173)	(329,549)
Retained loss for the year	( 591,517)	(144,624)
	<hr/>	<hr/>
At 31 December 1998	£(1,065,690)	£(474,173)
	<hr/>	<hr/>

**XiMED GROUP PLC****(formerly ENERGISER PLC)****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 1998**

... continued ...

**22. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS - GROUP**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Loss for the financial year after taxation	( 967,329)	( 144,624)
New equity share capital subscribed	6,500	9,630
Net premium on new share capital subscribed	-	938,370
Merger reserve	1,231,750	-
Opening shareholders' funds at 1 January 1998	1,128,827	325,451
	<hr/>	<hr/>
Closing shareholders' funds at 31 December 1998	£1,399,748	£1,128,827
	<hr/>	<hr/>

**RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS - COMPANY**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Loss for the financial year after taxation	( 591,517)	( 144,624)
New equity share capital subscribed	6,500	9,630
Net premium on new share capital subscribed	-	938,370
Merger reserve	1,231,750	-
Opening shareholders' funds at 1 January 1998	1,128,827	325,451
	<hr/>	<hr/>
Closing shareholders' funds at 31 December 1998	£1,775,560	£1,128,827
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 1998**

... continued ...

**23. COMMITMENTS****Lease commitments**

At 31 December 1998 the Company had annual commitments under non-cancellable operating leases as follows:-

	<u>1998</u>		<u>1997</u>	
	<u>Land and buildings</u>	<u>Other</u>	<u>Land and buildings</u>	<u>Other</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Operating leases which expire:-				
- within one year	-	-	11,000	-
- between two and five years	21,200	37,967	-	-
- more than five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

**24. CONTINGENT LIABILITIES**

There were no contingent liabilities at 31 December 1998 or 31 December 1997.

**25. PENSIONS**

The Company operates a defined contribution pension scheme for the benefit of the directors. The assets of the scheme are administered by the trustees in a fund independent from those of the Company.

**26. RELATED PARTY DISCLOSURES****Related party transactions**

The Company has taken advantage of the exemptions in Financial Report Standard 8 with regard to disclosure of transactions with other Group undertakings.

**XiMED GROUP PLC****(formerly ENERGISER PLC)****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 1998**

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**27. TRANSACTIONS WITH DIRECTORS**

The Group has traded during the year with Innovative Care Limited, a Company of which Professor D E Young is a director. Innovative Care Limited leased computer and office equipment to the Group and provided contract personnel. The balances were as follows:-

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Sales	89	-
Trade debtors	105	-
Lease of equipment and supply of personnel	166,006	-
Trade creditors	-	-
	<u>          </u>	<u>          </u>

During the year the Group traded with BrookStreet Des Roches, a firm of solicitors in which K W Brooks is a partner, as follows:-

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Provision of legal services	16,674	-
Trade creditors	-	-
	<u>          </u>	<u>          </u>

The Group has also traded with Internet Assist Limited, Oxford Commercial Services Limited and Oxford Corporate Services Limited, in which K W Brooks is a director. The transactions were as follows:-

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Provision of management and statutory secretarial services	58,950	-
Trade creditors	9,949	-
	<u>          </u>	<u>          </u>

**XiMED GROUP PLC**

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**(formerly ENERGISER PLC)**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1998**

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**27. TRANSACTIONS WITH DIRECTORS**

During the year the Group paid £13,333 to Professor K Griffiths under a consultancy agreement.

During the year the Group paid £46,827 to Mr T Griffiths, a director of Phytogenics Limited, under a consultancy agreement.

Professor K Griffiths and Professor L Denis had an interest in the contracted royalties of Prevacan of 1.5% and 0.75% respectively. There were no payments during the year and the royalty contracts have now been bought out.

During the year the Group paid £29,400 to Mr L U Franklin, a director of Reductogen Limited, under a consultancy agreement.

The directors regard all the transactions disclosed above as being on an arm's length basis and in the normal course of business.