

Manchester Biotech Limited
(formerly Manchester Biosciences Incubator Limited)

Directors' report and financial statements

31 July 1998

Registered number 3278630



Manchester Biotech Limited
(formerly Manchester Biosciences Incubator Limited)

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1-2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes	6-10

Manchester Biotech Limited

(formerly Manchester Biosciences Incubator Limited)

Directors' report

The directors present their report and the audited financial statements for the year ended 31 July 1998. The comparative results are for the 7 month period ended 31 July 1997.

Principal activities

The principal activity of the business is to initiate and support Biotechnology ventures.

On 20 May 1998 the company changed its name from Manchester Biosciences Incubator Limited to Manchester Biotech Limited.

Business review

The results for the year are set out on page 4 to these financial statements.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The loss for the period retained in the company is £15,541.

Directors and directors' interests

The directors who held office during the year were as follows:

Professor MWJ Ferguson
Dr JL Gordon
Dr AJ Hale
Professor JA Hickman
Mr RJ Pannone
Mr PG Schaefer

The directors have no beneficial interest in the share capital of the company.

Year 2000

Although the Year 2000 represents a wide range of risks, it is our intent to ensure that no significant disruption to our business occurs. Being a relatively new company all of the systems are new and are, in the opinion of the directors, Year 2000 compliant. We have checked with suppliers of all our equipment to ensure that they are Year 2000 compliant. We do not expect the costs of this exercise to be significant.

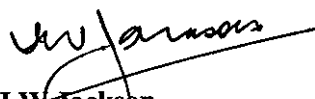
Manchester Biotech Limited
(formerly Manchester Biosciences Incubator Limited)

Directors' report *(continued)*

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG will therefore continue in office.

By order of the board


J W Jackson
Secretary

Incubator Building
Grafton Street
Manchester

Manchester Biotech Limited

(formerly Manchester Biosciences Incubator 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 for that period. In preparing these 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; 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 maintaining 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 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.



St James' Square
Manchester M2 6DS

**Report of the auditors to the members of Manchester Biotech Limited,
(formerly Manchester Biosciences Incubator Limited)**

We have audited the financial statements on pages 4 to 10 in accordance with Auditing Standards.

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 at 31 July 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
*Chartered Accountants
Registered Auditors*

27 May 1999.



Manchester Biotech Limited
(formerly Manchester Biosciences Incubator Limited)

Profit and loss account
for the year ended 31 July 1998

	<i>Note</i>	12 months ended 31 July 1998 £	7 months ended 31 July 1997 £
Turnover from continuing operations	2	1,091,606	210,167
Administrative expenses		(1,160,124)	(322,986)
Operating loss from continuing operations		(68,518)	(112,819)
Interest receivable	6	52,977	-
Loss on ordinary activities before taxation	2-6	(15,541)	(112,819)
Tax on loss on ordinary activities	7	-	-
Retained loss for the period		(15,541)	(112,819)

There is no difference between the loss for the financial period presented above and the historical cost equivalent.

The company has no recognised gains or losses in the period other than those reported above and therefore no separate statement of total recognised gains and losses has been presented.

Manchester Biotech Limited
(formerly Manchester Biosciences Incubator Limited)

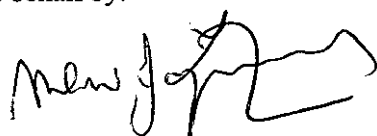
Balance sheet
at 31 July 1998

	<i>Note</i>	1998		1997	
		£	£	£	£
Fixed assets					
Tangible assets	8	7,221,518		1,488,972	
Current assets					
Debtors	9	2,248,798		313,212	
Cash at bank and in hand		36		397,549	
		<u>2,248,834</u>		<u>710,761</u>	
Creditors: amounts falling due within one year	10	(9,598,612)		(2,312,452)	
Net current liabilities			(7,349,778)		(1,601,691)
Net liabilities			<u>(128,260)</u>		<u>(112,719)</u>
Equity capital and reserves					
Called up share capital	11	100		100	
Profit and loss account		(128,360)		(112,819)	
Equity shareholders' funds	12	<u>(128,260)</u>		<u>(112,719)</u>	

These financial statements were approved by the board of directors on
signed on its behalf by:

6 May 1999

and were



Professor MWJ Ferguson
Director

Manchester Biotech Limited

(formerly Manchester Biosciences Incubator Limited)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

The financial statements have been prepared on a going concern basis which assumes that the company will be able to meet its liabilities as they fall due. The directors consider the going concern basis of preparation appropriate and expect cash resources to be sufficient to enable the company to continue to trade. If the company were unable to continue to trade, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities that may arise, and to reclassify fixed assets and any long term liabilities as current assets and liabilities respectively.

Cash flow statement

No cash flow statement has been prepared as the company is part of a group whose ultimate holding company is incorporated within the EC; the exemption contained in Financial Reporting Standard No 1 has therefore been relied upon.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by instalments over their useful estimated lives as follows:

No depreciation has been provided on freehold land and buildings as these relate to assets in the course of construction.

Lease payment	-	over the life of the lease
Fixtures and fittings	-	3 to 10 years

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Manchester Biotech Limited

(formerly Manchester Biosciences Incubator Limited)

Notes (continued)

1 Accounting policies (continued)

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Revenue based government grants anticipated are recognised to correspond to associated costs incurred on the assumption that all costs incurred will be recoverable from grant income and all grant conditions are met.

Turnover

Turnover represents the amounts derived from grant funding.

2 Analysis of turnover and loss on ordinary activities before taxation

The turnover and loss on ordinary activities before taxation are wholly attributable to the principal activity of the company and arose wholly in the United Kingdom.

3 Loss on ordinary activities before taxation

	1998 £	1997 £
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration	3,000	2,000
Depreciation on tangible fixed assets:		
Owned	9,976	302
	<hr/>	<hr/>

4 Remuneration of directors

No emoluments were paid to any of the directors.

5 Staff numbers and costs

The average number of persons (including directors) employed by the company during the year was 5 (1997: 3). The aggregate payroll costs of these persons were as follows:

	1998 £	1997 £
Wages and salaries	165,504	18,058
Social security	13,757	1,715
	<hr/>	<hr/>
	179,261	19,773
	<hr/>	<hr/>

Manchester Biotech Limited
(formerly Manchester Biosciences Incubator Limited)

Notes (continued)

6 Interest receivable

	1998 £	1997 £
Bank interest receivable	52,977	-

7 Taxation

There is no tax charge in the current period due to the availability of tax losses.

8 Fixed assets

	Lease payment £	Buildings £	Fixtures & fittings £	Total £
Cost				
At beginning of year	900,000	592,869	4,405	1,497,274
Additions	-	5,729,422	13,100	5,742,522
At 31 July 1998	900,000	6,322,291	17,505	7,239,796
Depreciation				
At beginning of year	8,000	-	302	8,302
Charge for year	7,000	-	2,976	9,976
At 31 July 1998	15,000	-	3,278	18,278
Net book value				
At 31 July 1998	885,000	6,322,291	14,227	7,221,518
At 31 July 1997	892,000	592,869	4,103	1,488,972

9 Debtors

	1998 £	1997 £
Other debtors	204,071	41,504
Called up share capital not paid	100	100
Prepayments and accrued income	2,044,627	271,608
	2,248,798	313,212

All debtors fall due within one year.

Manchester Biotech Limited
(formerly Manchester Biosciences Incubator Limited)

Notes (continued)

10 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank loans and overdrafts	897,841	-
Trade creditors	648	60,396
Amounts owed to fellow subsidiary undertakings	26,003	101,438
Amounts owed to Victoria University of Manchester	5,673,384	1,598,594
Other creditors	50,340	-
Taxation and social security	5,980	2,478
Accruals	3,000	2,000
Deferred income	2,941,416	547,546
	<u>9,598,612</u>	<u>2,312,452</u>

11 Called up share capital

	1998 £	1997 £
<i>Authorised</i>		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<i>Allotted and called up</i>		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

12 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Loss for the financial period	(15,541)	(112,719)
Opening shareholders' funds	(112,719)	-
Closing shareholders' funds	<u>(128,260)</u>	<u>(112,719)</u>

Manchester Biotech Limited (formerly Manchester Biosciences Incubator Limited)

Notes *(continued)*

13 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	1998 Other £	1997 Other £
Operating leases which expire:		
Within one year	-	-
In the second to fifth years	-	3,463
	<hr/> -	<hr/> 3,463
	<hr/> <hr/>	<hr/> <hr/>

14 Ultimate and controlling parent company and parent undertaking of larger group of which the company is a member

The company is a wholly owned subsidiary undertaking of the University of Manchester incorporated by Royal charter in Great Britain.