

**Deloitte &  
Touche**

Deloitte Touche  
Tohmatsu



Company Number: 3438255

**MAYBRIDGE CHEMICAL HOLDINGS LIMITED**

**Report and Financial Statements**

**31 December 1997**



**Deloitte & Touche  
Queen Anne House  
69-71 Queen Square  
Bristol  
BS1 4JP**



**REPORT AND FINANCIAL STATEMENTS 1997**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Dr R F Newton (Chairman)  
B T Bull  
L Eastlake  
A Nash

**SECRETARY**

L Eastlake

**REGISTERED OFFICE**

Trevillet  
Tintagel  
Cornwall  
PL34 0HW

**AUDITORS**

Deloitte & Touche  
Queen Anne House  
69-71 Queen Square  
Bristol BS1 4JP

**BANKERS**

The Royal Bank of Scotland plc  
49 Charing Cross  
Admiralty Arch  
London  
SW1A 2ZD

**SOLICITORS**

Macfarlanes  
10 Norwich Street  
London  
EC4A 1BD



## **DIRECTORS' REPORT**

The directors present their report and financial statements for the period ended 31 December 1997.

## **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The principal activity of the company is that of a holding company.

The company was formed on 17 September 1997 and on 26 September 1997 acquired the issued share capital of Maybridge Chemical Company Limited and of RJB Partners Limited. The activities of Maybridge Chemical Company Limited consist of the development and marketing of organic research chemicals in three main areas: screening samples, chemical intermediates and custom synthesis. RJB Partners Limited has not commenced trading.

The directors recognise that the systems for the recording of the screening stocks, which were acquired when the company purchased Maybridge Chemical Company Limited, are insufficient to allow them to prepare a valuation suitable for inclusion in these consolidated financial statements. Since the year end the directors have instigated a programme, which is designed to develop a stock recording system which will allow them to provide a materially accurate valuation for the year ended 31 December 1998 and which can be included in those consolidated financial statements.

## **RESULTS AND DIVIDENDS**

The loss for the year, after taxation amounted to £38,639. The directors do not recommend the payment of a dividend on the ordinary shares. A dividend has been accrued on the preference shares in line with their dividend rights.

## **POST BALANCE SHEET EVENTS**

In the period since the year end the group has entered a sale and leaseback transaction, in order to refinance the purchase of the Micromass Mass Spectrometer system, which had been purchased during the period. The finance lease is for a value of £135,366 and is over a period of 10 years.

On 31 March 1998 the holders of the £5,000,000 long term loan and the A ordinary shares syndicated their investment as described in note 30.

## **DIRECTORS**

The directors of the company, who were in office at the period end, had interests in the shares of the company, as recorded in the register of directors' interest, as follows:

		<b>£1 Ordinary shares</b>	
		<b>At</b>	<b>At date of</b>
		<b>31 December 1997</b>	<b>appointment</b>
Dr R F Newton	(appointed 17 September 1997)	88,889	1
B T Bull	(appointed 18 September 1997)	55,556	-
L Eastlake	(appointed 17 November 1997)	-	-
A Nash	(appointed 1 December 1997)	-	-

## **RESEARCH AND DEVELOPMENT**

The directors regard investment in this area as a prerequisite for success in the medium to long term future.



**DIRECTORS' REPORT (continued)**

**AUDITORS**

During the period the directors appointed Deloitte & Touche as the company's first auditors. A resolution to reappoint Deloitte & Touche as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

L Eastlake  
Secretary

21 July 1998

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit or loss 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## Chartered Accountants

Deloitte & Touche  
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69-71 Queen Square  
Bristol BS1 4JP

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## AUDITORS' REPORT TO THE MEMBERS OF MAYBRIDGE CHEMICAL HOLDINGS LIMITED

We have audited the financial statements on pages 6 to 23 which have been prepared under the accounting policies set out on pages 10 and 11.

### Respective responsibilities of directors and auditors

As described on page 4 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, except that the scope of our work was limited as explained below. 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 and group'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. However the evidence available to us was limited in respect of screening stocks, which are held by Maybridge Chemical Company Limited. This category of stocks was initially produced speculatively, in the hope that demand would be developed for these products over time. The associated costs were expensed in the period of production as no pattern of demand had at that time been established. A pattern of demand has now become evident for these items, but no records of the costs of production, nor the quantities held, have been maintained. There were no other satisfactory procedures that the directors have been able to adopt to arrive at a materially correct valuation for these stocks at the current period end and consequently our opinion is qualified in this respect. As a consequence of this limitation in scope our opinion on the profit of the group for the current financial period is also qualified.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

Except for any adjustments to the group financial statements that might have been found to be necessary had we been able to obtain sufficient evidence concerning screening stocks, in our opinion the financial statements of the group give a true and fair view of the state of the group's affairs as at 31 December 1997 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our audit work relating to screening stocks in the group financial statements:

- we have not obtained all the information and explanations that we considered necessary for the purposes of our audit; and
- we were unable to determine whether proper accounting records have been kept.

*Deloitte & Touche*  
Chartered Accountants and Registered Auditors  
**Deloitte Touche  
Tohmatsu  
International**

*4 August 1998*

Aberdeen, Bath, Belfast, Birmingham, Bournemouth, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Dartford, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available:  
Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.



**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
Period ended 31 December 1997

	Notes	For the three and a half months to 31 December 1997
		<b>Total £</b>
<b>TURNOVER</b>	3	1,128,304
Cost of sales		(456,773)
<b>GROSS PROFIT</b>		671,531
Distribution costs		(3,927)
Administrative expenses		(267,832)
Other operating income		1,989
<b>OPERATING PROFIT</b>	4	401,761
Interest receivable and similar income		5,513
Interest payable and similar charges	6	(359,713)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		47,561
Tax on profit on ordinary activities	7	(86,200)
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(38,639)
Dividends	8	(42,228)
<b>RETAINED LOSS FOR THE FINANCIAL PERIOD</b>	20	(80,867)

All of the operations of the group were acquired during the period.

There are no recognised gains or losses for the current financial period other than as stated in the profit and loss account. Accordingly no statement of recognised gains and losses has been presented.





**CONSOLIDATED BALANCE SHEET**  
**31 December 1997**

	Notes	1997
		£
<b>FIXED ASSETS</b>		
Tangible assets	10	1,271,988
		<u>1,271,988</u>
<b>CURRENT ASSETS</b>		
Stocks	12	837,649
Debtors	13	842,399
Investments	14	171,455
Cash at bank and in hand		1,499,345
		<u>3,350,848</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	(1,608,670)
<b>NET CURRENT ASSETS</b>		<u>1,742,178</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,014,166</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(14,298,213)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	18	-
<b>NET LIABILITIES</b>		<u>(11,284,047)</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	19	202,113
Share premium account	20	3,704,259
Profit and loss account	20	(15,190,419)
<b>SHAREHOLDERS' DEBT</b>		<u>(11,284,047)</u>
Shareholders' debt is attributable to:		
Equity shareholders		(14,170,992)
Non-equity shareholders		2,886,945
		<u>(11,284,047)</u>

These financial statements were approved by the Board of Directors on **21 July** 1998.

Signed on behalf of the Board of Directors

Dr R F Newton  
Director



**COMPANY BALANCE SHEET**  
**31 December 1997**

	Notes	1997	
		£	£
<b>FIXED ASSETS</b>			
Investments	11	18,047,896	
			<u>18,047,896</u>
<b>CURRENT ASSETS</b>			
Debtors	13	1,670,566	
Cash at bank and in hand		794,188	
			<u>2,464,754</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	(1,243,873)	
<b>NET CURRENT ASSETS</b>			<u>1,220,881</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>19,268,777</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(14,290,335)	
<b>NET ASSETS</b>			<u><u>4,978,442</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	202,113	
Share premium account	20	3,704,259	
Profit and loss account	20	1,072,070	
			<u>4,978,442</u>
<b>SHAREHOLDERS' FUNDS</b>			<u><u>4,978,442</u></u>
Shareholders' funds are attributable to:			
Equity shareholders		2,091,497	
Non-equity shareholders		2,886,945	
			<u><u>4,978,442</u></u>

These financial statements were approved by the Board of Directors on **21 July** 1998.

Signed on behalf of the Board of Directors

Dr R F Newton  
Director



**CONSOLIDATED CASH FLOW STATEMENT**  
Period ended 31 December 1997

	Note	For the three and a half months to 31 December 1997
		£
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	26	588,402
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received		5,513
Interest paid		(335,301)
Interest element of finance lease rental payments		(5,143)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		(334,931)
<b>TAXATION</b>		
Corporation tax paid		(530,000)
<b>CAPITAL EXPENDITURE</b>		
Payments to acquire tangible fixed assets		(136,010)
<b>ACQUISITIONS AND DISPOSALS</b>		
Purchase of subsidiary undertakings		(18,407,780)
Net cash acquired with subsidiaries		1,258,099
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		(17,149,681)
<b>NET CASH OUTFLOW BEFORE FINANCING</b>		(17,562,220)
<b>FINANCING</b>		
Issue of ordinary shares		1,055,244
Issue of preference shares		3,211,111
New loans		14,640,833
Capital element of finance lease rentals		(2,908)
<b>NET CASH INFLOW FROM FINANCING</b>		18,904,280
<b>INCREASE IN CASH IN THE PERIOD</b>	28	1,342,060

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 1997****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Basis of consolidation**

The consolidated accounts include the company and all its subsidiary companies. The results of new subsidiary undertakings have been dealt with from the dates of acquisition using the principles of acquisition accounting.

Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

**Acquisitions and disposals**

Where a new company or business has been accounted for using the principles of acquisition accounting, fair values are attributed to the group's share of the separable net assets acquired. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is recognised as goodwill, and is written off directly to reserves in the year of acquisition.

**Research and development**

Research expenditure is written off to the profit and loss account in the period in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the company is expected to benefit.

**Depreciation**

Depreciation of fixed assets is calculated to write off their cost less any residual value over their estimated useful lives as follows:

Motor vehicles	25%
Plant and machinery	10% to 25%
Fixtures and fittings	25%
Freehold buildings	5%

**Stocks**

Stocks other than screening compounds are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

The group's stock of screening compounds has not been valued, as this category of stocks was initially produced speculatively, in the hope that demand would be developed for these products over time. The associated costs were expensed in the period of production as no pattern of demand had at that time been established. A pattern of demand has now become evident for these items, but no records of the costs of production, nor the quantities held, have been maintained. There were no other satisfactory procedures that the directors have been able to adopt to arrive at a materially correct valuation for these stocks at the current period end.

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 1997**

**1. ACCOUNTING POLICIES (continued)**

**Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

**Leases and hire purchase contracts**

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way to give a reasonably consistent charge on the outstanding liability.

Rentals under operating leases are charged to the profit and loss in equal annual amounts over the lease term.

**Pensions**

Contributions are made to the defined contribution scheme and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

**Foreign exchange**

Transactions of UK companies denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

**2. ACQUISITIONS AND GOODWILL**

The entire issued share capital of Maybridge Chemical Company Limited was acquired on 26 September 1997 for a consideration of £18,047,797. The acquisition has been accounted for using the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition is £15,128,754. The profit after taxation of Maybridge Chemical Company Limited for the financial year ended 31 December 1996 was £1,019,132. The results prior to acquisition from 1 January 1997 to date of acquisition were as follows:

	£
Turnover	3,434,887
Operating profit	193,877
Profit before tax	236,740
Taxation	75,800

The following table explains the adjustments made to book value of the major category of assets and liabilities acquired to arrive at the fair values included in the consolidated financial statements at the date of acquisition. The cash flow effects of the acquisition are given in note 28.


**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 1997**
**2. ACQUISITIONS AND GOODWILL (continued)**

	Book amount £	Revaluation £	Fair value to the group £
Tangible fixed assets	1,182,220	-	1,182,220
Current assets	2,648,254	-	2,648,254
Creditors and provisions	(290,280)	(15,351)	(305,631)
Taxation	(605,800)	-	(605,800)
	<u>2,934,394</u>	<u>(15,351)</u>	<u>2,919,043</u>

The entire issued share capital of RJB Partners Limited was acquired on 26 September 1997 for a consideration of £100. The acquisition has been accounted for using the acquisition method of accounting. No goodwill arose as a result of this acquisition.

Goodwill written off in 1997 under the accounting policy stated in note 1 amounted to £15,128,754 in respect of the acquisition of Maybridge Chemical Company Limited.

**3. TURNOVER**

Turnover comprises the invoice value of goods and services supplied by the group exclusive of VAT in respect of its principal activity. The analysis of turnover by geographical destination is as follows:

	For the three and a half months ended 31 December 1997 £
United Kingdom	140,702
Rest of Europe	182,520
United States of America	472,165
Far East	324,945
Rest of World	7,972
	<u>1,128,304</u>

**4. OPERATING PROFIT**

	For the three and a half months ended 31 December 1997 £
Operating profit is stated after charging/(crediting):	
Net rental income	(1,751)
Profit on foreign exchange	(2,712)
Staff costs (note 5)	509,159
Auditors' remuneration	25,000
Hire of plant and machinery	1,709
Depreciation of tangible fixed assets;	
- owned assets	42,492
- leased assets	3,750
	<u></u>



**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 1997**

**5. DIRECTORS AND EMPLOYEES**

	<b>For the three and a half months ended 31 December 1997</b>
<b>Staff costs including directors' emoluments</b>	<b>£</b>
Wages and salaries	450,441
Social security cost	43,254
Pension costs	15,464
	<u>509,159</u>
 <b>Average monthly number employed including executive directors</b>	 <b>No.</b>
Office and management	18
Research and development staff	80
	<u>98</u>
	<b>£</b>
<b>Directors</b>	
Emoluments (excluding pension contributions)	<u>44,515</u>
	<b>No.</b>
Number of directors who: are members of a defined contribution pension scheme	<u>1</u>

During the period the group paid pension contributions of £938 under a defined contribution pension scheme on behalf of the directors.



**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 1997**

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

**For the three and a  
half months ended  
31 December 1997**  
£

Bank loans	211,492
On other loans	143,078
On finance leases and hire purchase contracts repayable within five years	5,143
	<u>359,713</u>

**7. TAXATION**

**For the three and a  
half months ended  
31 December 1997**  
£

<b>UK current period taxation</b>	
UK corporation tax at 33% based on the profit for the period	86,200
Deferred tax	-
	<u>86,200</u>
<b>Tax on profit on ordinary activities</b>	

**8. DIVIDENDS**

**For the three and a  
half months ended  
31 December 1997**  
£

<b>Proposed</b>	
5% cumulative preference dividend - 1.3151p per share	<u>42,228</u>

**9. PROFIT ATTRIBUTABLE TO THE MEMBERS OF THE COMPANY**

Maybridge Chemical Holdings Limited has taken advantage of Section 230(3) of the Companies Act 1985 and has not published its own profit and loss account. Of the group loss after taxation of £38,639, a profit of £1,052,868 relates to the company's own financial statements.




**NOTES TO THE ACCOUNTS**  
 Period ended 31 December 1997

**10. TANGIBLE FIXED ASSETS**
**(1) Group summary**

	Freehold land and buildings £	Motor vehicles £	Fixtures and fittings £	Plant and machinery £	Total £
<b>Cost</b>					
Additions	10,224	-	4,243	121,543	136,010
Subsidiary acquired	949,569	30,000	391,558	706,905	2,078,032
<b>31 December 1997</b>	<u>959,793</u>	<u>30,000</u>	<u>395,801</u>	<u>828,448</u>	<u>2,214,042</u>
<b>Depreciation</b>					
Charge for the period	12,113	1,875	15,211	17,043	46,242
Subsidiary acquired	159,690	7,500	280,566	448,056	895,812
<b>31 December 1997</b>	<u>171,803</u>	<u>9,375</u>	<u>295,777</u>	<u>465,099</u>	<u>942,054</u>
<b>Net book value</b>					
<b>31 December 1997</b>	<u>787,990</u>	<u>20,625</u>	<u>100,024</u>	<u>363,349</u>	<u>1,271,988</u>

The net book value of tangible fixed assets includes an amount of £108,750 in respect of assets held under finance leases or hire purchase contracts.

**11. FIXED ASSET INVESTMENTS**
**(1) Company summary**

	Shares in Group undertakings £
<b>Cost</b>	
Additions	18,047,897
<b>Provisions</b>	
Provided in the period	(1)
<b>31 December 1997</b>	<u>18,047,896</u>

**(2) Subsidiary undertakings**

The subsidiary undertakings at 31 December 1997, which are incorporated in England and Wales, are as follows:

Company	Trade	Proportion of nominal value of ordinary £1 shares held by company and group
Maybridge Chemical Company Limited	Chemical supplier	100%
RJB Partners Limited	Non-trading	100%

**12. STOCKS**

	1997 £
<b>Group</b>	
Raw materials and consumables	160,712
Finished goods	676,937
	<u>837,649</u>


**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 1997**

<b>13. DEBTORS</b>	<b>1997</b>
	<b>£</b>
<b>Group</b>	
Trade debtors	641,143
Other debtors	183,199
Prepayments and accrued income	18,057
	<u>842,399</u>
<b>Company</b>	
Amounts owed by subsidiary undertakings	1,500,000
Other debtors	170,566
	<u>1,670,566</u>
<b>14 INVESTMENTS</b>	<b>1997</b>
	<b>£</b>
Building society term deposits	171,455
	<u>171,455</u>
<b>15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>1997</b>
	<b>£</b>
<b>Group</b>	
Bank loans and overdraft	507,782
Obligations under finance leases and hire purchase contracts	37,850
Trade creditors	96,760
Corporation tax	126,485
Other taxes and social security costs	47,024
Other creditors	10,847
Accruals and deferred income	739,694
Proposed dividend	42,228
	<u>1,608,670</u>
<b>Company</b>	
Bank loans and overdraft	507,782
Amounts owed to group undertakings	407,899
Other creditors	206,807
Accruals and deferred income	79,157
Proposed dividend	42,228
	<u>1,243,873</u>

The bank loans and bank overdraft are secured by a fixed and floating charge over the group's assets. Obligations under finance leases and hire purchase contracts are secured by related assets.



**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 1997**

**16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1997 £
<b>Group</b>	
Bank loans	14,290,335
Obligations under finance leases and hire purchase contracts due in two to five years	7,878
	<u>14,298,213</u>
<b>Company</b>	
Bank loans	<u>14,290,335</u>

**17. BORROWINGS**

Analysis of loan repayments:

	1997 £
<b>Group and company</b>	
Bank loans:	
- within one year	350,498
- between one and two years	450,498
- between two and five years	5,001,991
- after more than five years	8,837,846
	<u>14,640,833</u>

The bank loans are secured by fixed and floating charges on the assets of the group. The term loan, initially of £8,200,000, is repayable according to the repayment schedule in the loan agreement by six monthly instalments until 28 June 2004 and interest accrues at 2% above the LIBOR rate.

There are further loans of £2,000,000 which is repayable 30 June 2004 and on which interest accrues at 5% above LIBOR and of £5,000,000 which is repayable by four equal annual instalments commencing on 31 December 2005 and on which interest is payable at 5% until 1 January 1999 and then at 7% thereafter.

**18. PROVISIONS FOR LIABILITIES AND CHARGES**

**Deferred tax**

Deferred tax provided in the financial statements, and the total potential tax liability including the amounts for which provision has been made, are as follows:

	Provided 1997 £	Unprovided 1997 £
<b>Group</b>		
Accelerated capital allowances	-	300,006
Other timing differences	-	(4,725)
	<u>-</u>	<u>295,281</u>



**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 1997**

**19. CALLED UP SHARE CAPITAL**

	<b>1997</b>	
	<b>Number</b>	<b>£</b>
<b>(1) Authorised</b>		
Ordinary shares of £1 each	200,000	200,000
A ordinary shares of £0.01 each	888,889	8,889
B ordinary shares of £0.01 each	22,222	222
Preference shares of £0.01 each	3,211,111	32,111
		<u>241,222</u>
 <b>(2) Allotted and fully paid</b>	 <b>Number</b>	 <b>£</b>
Ordinary shares of £1 each	161,113	161,113
A ordinary shares of £0.01 each	888,889	8,889
Preference shares of £0.01 each	3,211,111	32,111
		<u>202,113</u>

A warrant was granted during on 26 September 1997 over the 22,222 £0.01 B ordinary shares, which entitles the holder to subscribe at par for these shares on receipt of an exit notification. Exit is deemed to mean any of the following under the terms of the warrant:

- any single person, or group of persons acting in concert acquiring (i) more than half in nominal value of the equity share capital of the company or (ii) control of the company; or
- the company or any other person making an offer to the holders of fully paid A ordinary shares and/or ordinary shares of the company to purchase any such A ordinary shares and/or ordinary shares; or
- any part of the equity share capital of the company being included in the official list of the London Stock Exchange Limited or the Alternative Investment Market or the European Association of Securities Dealers Automated Quotation or any similar occurrence in or any exchange or market replacing the same or on any other recognised investment exchange (as that term is used in the Financial Services Act 1986) or in or on any exchange or market in any country; or
- the amalgamation or reconstruction of the company or any other member of the group; or
- the sale by the company or any other member of the group of substantially all of its assets or business or the sale of any subsidiary; or
- the taking of any other action, in any jurisdiction, which is analogous with any of (a) to (e) above; or
- a determination under Article 4.3 of the Articles (or any Article replacing the same) that profits be distributed to the holders of the ordinary shares and/or the A ordinary shares and/or the B ordinary shares (or a declaration of a dividend under such Article in lieu of such a determination).



**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 1997**

**19. CALLED UP SHARE CAPITAL (continued)**

**(3) Rights attached to shares**

***Dividend rights***

The A ordinary shares, as a class, are entitled to receive a sum equal to 10% of the net profit, accruing from 1 January 2001, which is available for distribution, as a dividend.

The preference shares entitle the holder to a dividend of 5p per share per annum up to 31 December 1998. From 1 January 1999 the entitlement per share has been set at 7p per share.

For any other dividends paid to ordinary, A ordinary and B ordinary shares, the shares rank *pari passu* as if they were of the same class of share.

***Redemption rights***

The preference share shall be redeemed in the proportions and on the dates set out below:

<b>Redemption date</b>	<b>Number of shares redeemable</b>
31 December 2005	802,777
31 December 2006	802,777
31 December 2007	802,777
31 December 2008	802,780

Any shares not redeemed upon the due dates shall be redeemed forthwith upon redemption becoming permissible under the Companies Act 1985. The company shall pay the sum of £1 on each of the preference shares redeemed.

Provided there are no arrears of dividends on the A ordinary shares or preference shares the company may redeem all or (in instalments of not less than 500,000 shares) some of the preference shares in advance of their due date for redemption.

All preference shares shall (unless the holders of 75% of the preference shares give notice in writing to the company to the contrary) be redeemed immediately upon any of the following dates;

- any part of the equity share capital of the company being included in the official list of the London Stock Exchange Limited or permission for any of the equity share capital of the company to be dealt in on a share dealing market of any recognised investment exchange (as that term is used in the Financial Services Act 1986) becomes effective; or
- the date upon which a successful offer to purchase 90% or more of the issued equity share capital of the company (or 90% or more of all such capital including any already held by the offeror) is completed.

***Voting rights***

Each of the ordinary shares, A ordinary shares and B ordinary shares entitle the holder to one vote per share.

The preference shares have no vote except where cumulative dividends fall more than six months in arrears, when they are entitled to the same voting rights as the holders of the other shares.

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 1997**

**19. CALLED UP SHARE CAPITAL (continued)**

*Rights on winding up*

The assets of the company remaining after the payment of its liabilities shall be applied in the following order of priority.

- £1 per share to the holders of the preference shares together with any arrears or accruals of the preference dividend.
- £1 per share to the holders of the A ordinary shares together with any arrears or accruals of the dividends on the A ordinary shares.
- £0.01 per share to the holders of the B ordinary shares.
- £1 per share to the holders of the ordinary shares.
- The balance to be distributed amongst the holders of the A ordinary shares, B ordinary shares and ordinary shares which rank pari passu, as if they are of the same class of share.

**20. RESERVES**

	<b>Share premium account</b>		<b>Profit and loss account</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At incorporation	-	-	-	-
Retained (loss)/profit for the period	-	-	(80,867)	1,052,868
Write off of goodwill	-	-	(15,128,754)	-
Shares issued	4,083,444	4,083,444	-	-
Issue costs	(359,983)	(359,983)	-	-
Issue costs amortised	(19,202)	(19,202)	19,202	19,202
<b>31 December 1997</b>	<b>3,704,259</b>	<b>3,704,259</b>	<b>(15,190,419)</b>	<b>1,072,070</b>

**21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>Group 1997 £</b>	<b>Company 1997 £</b>
(Loss)/profit for the period	(80,867)	1,052,868
Goodwill written off on acquisition	(15,128,754)	-
Issue of shares	4,285,557	4,285,557
Issue costs	(359,983)	(359,983)
Net addition to shareholders' funds	(11,284,047)	4,978,442
Opening shareholders' funds	-	-
<b>Closing shareholders' funds</b>	<b>(11,284,047)</b>	<b>4,978,442</b>

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 1997**

**22. PENSIONS**

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £15,464.

Contributions totalling £nil were payable to the fund at 31 December 1997.

**23. FINANCIAL COMMITMENTS**

**Operating leases**

At 31 December 1997 the company had no commitments, while the group had annual commitments under non-cancellable operating leases as follows:

	<b>1997</b>
	<b>Plant and equipment</b>
	<b>£</b>
Expiry date:	
- within one year	8,280
- between two and five years	22,110
	<hr/>
	30,390
	<hr/>

**24. CONTINGENT LIABILITIES**

Under the terms and conditions of the Investment Agreement the company has agreed to bear any professional fees which may arise on the syndication of the investment.

On 31 March 1998 £2,500,000 of the £5,000,000 long term loan was syndicated in accordance with and on the same terms and conditions as the original Investment Agreement. The syndicatee further subscribed in cash a total of £2,050,000 for 444,445 new A ordinary shares of 1p each and 1,605,555 new preference shares of 1p each in the capital of the company. The company immediately redeemed 444,445 A ordinary shares and 1,605,555 preference shares pursuant to the Articles, which were held by the syndicator, for a total consideration of £2,050,000. The value of the professional fees has not been established at the date of approval of these accounts.

**25. TRANSACTIONS WITH RELATED PARTIES**

Advantage has been taken of the exemption contained within Financial Reporting Standard No.8, which does not require companies in a 100% group to disclose transactions with each other.

The directors' subscription for and interest in the share capital of the company are disclosed in the Directors' Report.



**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 1997**

**26. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>1997</b>
	<b>£</b>
Operating profit	401,761
Depreciation	46,242
Increase in stock	(43,266)
Increase in debtors	(443,040)
Increase in creditors	626,705
	<u>588,402</u>
Net cash inflow from operating activities	<u>588,402</u>

**27. ANALYSIS OF NET DEBT**

	At incorporation £	Cash flow £	Acquisitions (excluding cash and overdrafts) £	At 31 December 1997 £
Cash at bank and in hand	-	1,499,345	-	1,499,345
Overdrafts	-	(157,285)	-	(157,285)
	-	<u>1,342,060</u>	-	<u>1,342,060</u>
Debt due after one year	-	(14,290,335)	-	(14,290,335)
Debt due within one year	-	(350,498)	-	(350,498)
Finance leases	-	2,908	(48,636)	(45,728)
Current asset investments	-	-	171,455	171,455
	-	<u>(13,295,865)</u>	<u>122,819</u>	<u>(13,173,046)</u>
Total	-	<u>(13,295,865)</u>	<u>122,819</u>	<u>(13,173,046)</u>

**28. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	<b>1997</b>
	<b>£</b>
Increase in cash in the period	1,342,060
Cash outflow from debt and lease financing	(14,637,925)
	<u>(13,295,865)</u>
Change in net debt from cash flows	(13,295,865)
Loans and finance leases acquired with subsidiary	(48,636)
Current asset investments acquired with subsidiary	171,455
	<u>(13,173,046)</u>
Movement in net debt in the period	(13,173,046)
Net funds at start of period	-
	<u>(13,173,046)</u>
Net debt at end of period	<u>(13,173,046)</u>



**NOTES TO THE ACCOUNTS**  
Period ended 31 December 1997

**29. PURCHASE OF SUBSIDIARY UNDERTAKINGS**

**Maybridge Chemical Company Limited**

	1997 £
<b>Net assets acquired</b>	
Tangible fixed assets	1,182,220
Stocks	794,383
Debtors	424,317
Cash at bank and in hand	1,429,554
Creditors	(862,795) ✓
Loans and finance leases	(48,636)
	<hr/> 2,919,043 ✓
Goodwill	15,128,754 ✓
	<hr/> <b>18,047,797</b> <hr/>
Satisfied by:	
Cash consideration	18,047,797
	<hr/> <b>18,047,797</b> <hr/>

**RJB Partners Limited**

	1997 £
<b>Net assets acquired</b>	
Intangible assets	1
Debtors	99
	<hr/> 100 <hr/>
Satisfied by:	
Cash consideration	1
Creditor	99
	<hr/> 100 <hr/>

**30. POST BALANCE SHEET EVENTS**

In the period since the year end the group has entered a sale and leaseback transaction, in order to refinance the purchase of the Micromass Mass Spectrometer system, which had been purchased during the period. The finance lease is for a value of £135,366 and is over a period of 10 years.

On 31 March 1998 £2,500,000 of the £5,000,000 long term loan was syndicated in accordance with and on the same terms and conditions as the original Investment Agreement. The syndicatee further subscribed in cash a total of £2,050,000 for 444,445 new A ordinary shares of 1p each and 1,605,555 new preference shares of 1p each in the capital of the company. The company immediately redeemed 444,445 A ordinary shares and 1,605,555 preference shares pursuant to the Articles, which were held by the syndicator, for a total consideration of £2,050,000.