

Lion Bioscience Limited

Report and Financial Statements

31 March 2003

0350020



A19
COMPANIES HOUSE

AQ5BTIK

0504
18/03/04

Lion Bioscience Limited

Registered No: 3598020

Directors

T M Etzold
F Von Bohlen und Halbach

Secretary

Ms D Mitchell

Auditors

Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

Bankers

Barclays Bank Plc
58 High Street
Newmarket
Suffolk
CB8 8GL

Solicitors

Mills & Reeve
Francis House
112 Hills Road
Cambridge
CB2 1PH

Registered office

Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

Directors' report

The directors present their report and financial statements for the year ended 31 March 2003.

Results and dividends

The profit for the year, after taxation, amounted to £106,266. The directors do not recommend the payment of any dividends.

Principal activity and review of the business

The principal activity of the company during the year was to render technical and related support services to its immediate holding company Lion Bioscience AG, in connection with the parent company's integrated genomics and informatics solutions for the Life Sciences industry.

Future developments

The Lion group strives to be the world leader of transforming information into life science products. With our solutions, customers are reaching the cutting edge in the race for scientific and business success.

Directors

The directors who served the company during the year were as follows:

T M Etzold
F Von Bohlen und Halbach

There are no directors' interests requiring disclosure under the Companies Act 1985.

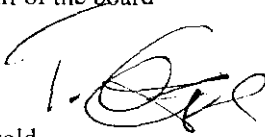
At the year-end T M Etzold owned 56,266 Ordinary shares of £1 each (2002: 70,000) in the ultimate parent undertaking, Lion Bioscience AG and 37,100 shares held under option (2002: 37,100).

The share options are held under the Lion Bioscience AG share option scheme. They are exercisable between two and eight years from issue where the market value of the group shares exceed the issue price by at least 40%.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board


T M Etzold
Director

23. 1. 2004

Statement of directors' responsibilities in respect of the financial statements

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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Lion Bioscience Limited

We have audited the company's financial statements for the year ended 31 March 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

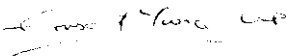
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Independent auditors' report

to the members of Lion Bioscience Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Cambridge

9 March 2004

Profit and loss account

for the year ended 31 March 2003

	Notes	2003 £	2002 £
Turnover	3	3,247,312	2,916,994
Administrative expenses		3,045,425	2,795,401
Operating profit	4	201,887	121,593
Bank interest receivable	7	5,733	5,060
Interest payable and similar charges	8	(39,547)	(37,014)
		(33,814)	(31,954)
Profit on ordinary activities before taxation		168,073	89,639
Tax on profit on ordinary activities	9	61,807	35,000
Profit retained for the financial year		106,266	54,639

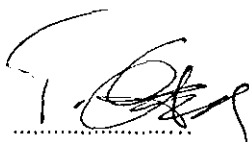
Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £106,266 attributable to the shareholders for the year ended 31 March 2003 (2002 - profit of £54,639).

Balance sheet

at 31 March 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	10	435,559	428,070
Current assets			
Debtors	11	112,774	97,821
Cash at bank and in hand		192,519	460,430
		305,293	558,251
Creditors: amounts falling due within one year	12	399,245	732,121
Net current liabilities		(93,952)	(173,870)
Total assets less current liabilities		341,607	254,200
Provisions for liabilities and charges			
Deferred taxation	9	(10,552)	8,307
		352,159	245,893
Capital and reserves			
Called up share capital	16	50,000	50,000
Other reserves	17	120,000	120,000
Profit and loss account	17	182,159	75,893
Equity shareholders' funds	17	352,159	245,893



T M Etzold
Director

23. 1. 2004

Notes to the financial statements

at 31 March 2003

1. Fundamental accounting concept

The accounts are prepared on the going concern basis because the parent company has agreed not to seek repayment, in part or whole, of loans due to it if to do so would prevent the company from meeting its liabilities as they arise.

2. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

Related parties transactions

The company is a wholly owned subsidiary of Lion Bioscience AG, the consolidated accounts of which are publicly available.

Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the group.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold Property	- over lease term
Equipment	- 1-8 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 March 2003

2. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Operating lease agreements

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

3. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to group companies and relates to the one continuing activity of the company.

An analysis of turnover by geographical market is given below:

	2003 £	2002 £
Europe	<u>3,247,312</u>	<u>2,916,994</u>

4. Operating profit

This is stated after charging/(crediting):

	2003 £	2002 £
Auditors' remuneration - audit services	9,250	7,500
- non-audit services	19,086	13,700
	<u>28,336</u>	<u>21,200</u>
Research and development expenditure written off	<u>1,879,626</u>	<u>1,648,377</u>
Depreciation of owned fixed assets	<u>220,744</u>	<u>167,791</u>
Loss/(Profit) on disposal of fixed assets	2,872	(8,242)
Operating lease rentals - land and buildings	149,299	126,629
- plant and machinery	27,158	42,280
Net loss on foreign currency translation	<u>48,118</u>	<u>4,198</u>

Notes to the financial statements

at 31 March 2003

5. Staff costs

	2003 £	2002 £
Wages and salaries	1,799,489	1,647,494
Social security costs	188,904	165,558
Staff pension contributions (note 13)	68,559	45,425
	<u>2,056,952</u>	<u>1,858,477</u>

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

	2003 No.	2002 No.
Staff	<u>41</u>	<u>36</u>

6. Directors' emoluments

	2003 £	2002 £
Emoluments	<u>107,090</u>	<u>99,050</u>

	2003 No.	2002 No.
Members of money purchase pension schemes	<u>1</u>	<u>1</u>

No directors exercised share options during the year.

7. Interest receivable

	2003 £	2002 £
Bank interest receivable	<u>5,733</u>	<u>5,060</u>

8. Interest payable and similar charges

	2003 £	2002 £
Interest on loans from group undertakings	38,992	37,014
Other interest	555	—
	<u>39,547</u>	<u>37,014</u>

Notes to the financial statements

at 31 March 2003

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2003 £	2002 £
<i>Current tax:</i>		
UK corporation tax	76,879	48,671
Tax under/(over) provided in previous years	3,787	(8,988)
Total current tax (note 9(b))	<u>80,666</u>	<u>39,683</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(18,859)	(4,683)
Tax on profit on ordinary activities	<u>61,807</u>	<u>35,000</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 30%). The differences are reconciled below:

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>168,073</u>	<u>89,639</u>
Profit on ordinary activities multiplied by rate of tax	50,422	26,892
Disallowed expenses and non-taxable income	1,274	13,324
Adjustments in respect of previous periods	3,787	(8,988)
Short term timing differences	272	1,475
Depreciation in excess of capital allowances	24,911	6,980
Total current tax (note 9(a))	<u>80,666</u>	<u>39,683</u>

(c) Deferred tax

	2003 £	2002 £
Capital allowances in advance of depreciation	8,805	(9,782)
Other timing differences	1,747	1,475
Provision for deferred taxation	<u>10,552</u>	<u>(8,307)</u>
		£
At 1 April 2002		(8,307)
Profit and loss account movement arising during the year		18,859
At 31 March 2003		<u>10,552</u>

Notes to the financial statements

at 31 March 2003

10. Tangible fixed assets

	<i>Leasehold Property £</i>	<i>Equipment £</i>	<i>Total £</i>
Cost:			
At 1 April 2002	182,060	486,713	668,773
Additions	80,055	152,358	232,413
Disposals	—	(7,279)	(7,279)
At 31 March 2003	<u>262,115</u>	<u>631,792</u>	<u>893,907</u>
Depreciation:			
At 1 April 2002	45,649	195,054	240,703
Provided during the year	57,772	162,972	220,744
Disposals	—	(3,099)	(3,099)
At 31 March 2003	<u>103,421</u>	<u>354,927</u>	<u>458,348</u>
Net book value:			
At 31 March 2003	<u>158,694</u>	<u>276,865</u>	<u>435,559</u>
At 1 April 2002	<u>136,411</u>	<u>291,659</u>	<u>428,070</u>

11. Debtors

	<i>2003 £</i>	<i>2002 £</i>
Other debtors	29,930	26,593
Prepayments and accrued income	82,844	71,228
	<u>112,774</u>	<u>97,821</u>

Included in prepayments is an amount of £21,200 (2002 £21,200) which is secured by a mortgage charge dated 4 January 2001.

12. Creditors: amounts falling due within one year

	<i>2003 £</i>	<i>2002 £</i>
Unsecured bank overdrafts	1,239	605
Trade creditors	28,996	75,552
Amounts owed to group undertakings	24,684	291,657
Corporation tax	68,054	39,683
Other taxation and social security	52,247	50,064
Other creditors	11,443	9,876
Accruals and deferred income	212,582	264,684
	<u>399,245</u>	<u>732,121</u>

Notes to the financial statements

at 31 March 2003

13. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension premiums paid in the year represent contributions payable by the company to the fund and amounted to £68,559 (2002 £45,425). Contributions totalling £11,443 (2002 £9,876) are outstanding at the balance sheet date and are included in other creditors.

14. Commitments under operating leases

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as set out below:

	2003		2002	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire:				
In two to five years	<u>162,095</u>	<u>22,480</u>	<u>84,800</u>	<u>20,588</u>

15. Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

16. Share capital

	2003		Authorised 2002	
		£		£
Ordinary shares of £1 each		<u>50,000</u>		<u>50,000</u>
	<i>Allotted, called up and fully paid</i>			
		2003		2002
	No.	£	No.	£
Ordinary shares of £1 each	50,000	<u>50,000</u>	50,000	<u>50,000</u>

17. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Capital contribution</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	£	£	£	£
At 1 April 2001	50,000	120,000	21,254	191,254
Profit for the year	—	—	54,639	54,639
At 31 March 2002	<u>50,000</u>	<u>120,000</u>	<u>75,893</u>	<u>245,893</u>
Profit for the year	—	—	106,266	106,266
At 31 March 2003	<u>50,000</u>	<u>120,000</u>	<u>182,159</u>	<u>352,159</u>

Notes to the financial statements

at 31 March 2003

18. Ultimate parent company

The company's ultimate and immediate parent company is LION Bioscience AG, a company incorporated in Germany. LION Bioscience AG has included the company in its group accounts which may be obtained from its registered office PO Box 103780, 69027 Heidelberg, Germany.