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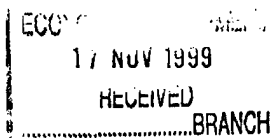
RANDEX LABORATORIES LTD

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1998

AS MODIFIED BY ARTICLE 255

COMPANIES (NORTHERN IRELAND) ORDER 1986



RANDOK LABORATORIES LTD

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1998

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RANDOX LABORATORIES LTD

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company continues to develop, manufacture and market biotechnology products, with special emphasis on enzymes and enzyme-related products.

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Profit for the year after taxation was	1,690,115	1,878,600
Dividend paid	145,000	100,000
Leaving amounts to be transferred to reserves	1,545,115	1,778,600
Retained profits now amount to	10,225,286	8,680,171

Results continue to be pleasing. The directors expect that profitability will continue to be maintained in the future.

RESEARCH AND DEVELOPMENT

The company continues to expend resources upon research and development, with a view to marketing it's products. Refer note 5 to the accounts.

DIRECTORS

The directors who acted during the year and their beneficial and family interests in the shares of the company were as follows:

	<u>1998</u>	<u>1997</u>
Dr. S.P. Fitzgerald	71,106	71,106
Mr. R.J. Fitzgerald	9,894	9,894
Mrs R.J. Fitzgerald	9,000	9,000
Mr. C.M. Fitzgerald	-	-

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for that period. In preparing the financial statements appropriate accounting policies have been used and applied consistently. Reasonable and prudent judgements

Continued

and estimates have been made. The financial statements have been prepared on the going concern basis and in accordance with applicable Accounting Standards.

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 (Northern Ireland) Order 1986. 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.

AUDITORS

T Murphy & Co acted as auditors for the year and now offer themselves for re-appointment in accordance with Article 392 of the Companies (Northern Ireland) Order 1986.

BY ORDER OF THE BOARD

Secretary

Date:-

CHARTERED ACCOUNTANTS
REGISTERED AUDITORS
INSOLVENCY PRACTITIONERS

T. Murphy & Co.

T. G. Murphy B.Sc.(Econ.), F.C.A.
R. P. Kelly B.Sc., F.C.A., M.S.P.I., M.A.E.

43 Lockview Road, Belfast BT9 5FJ
Tel: (01232) 381755
Fax: (01232) 381744

RANDEX LABORATORIES LTD

Full financial statements for shareholders for the year ended 31 December 1998 were approved by the board of Directors on the 25 October 1999. The Directors have prepared the attached financial statements for the year ended 31 December 1998 in compliance with Articles 255 to 257 of the Companies (Northern Ireland) Order 1986 for filing with the registrar of companies.

ADDITORS' REPORT

TO THE DIRECTORS OF RANDEX LABORATORIES LTD

In our opinion the company satisfies the requirements of Article 256(1) of the Companies (Northern Ireland) Order 1986 for exemption as a small company in respect of the year ended 31 December 1998 and in particular the modified financial statements have been properly prepared in accordance with schedule 8 of that Order. We are not required to express an audit opinion on the truth and fairness of these modified financial statements.

We reported as auditors of Randox Laboratories Ltd to the members on 26 October 1999 on the Company's financial statements prepared under Article 236 of the Companies (Northern Ireland) 1986 for the year ended 31 December 1998 and our audit opinion was as follows:

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an opinion based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

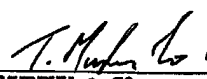
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.



Continued

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 the information in the financial statements.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.


T MURPHY & CO
REGISTERED AUDITORS

DATE: 26 October 1999

RANOOK LABORATORIES LTD

PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
GROSS PROFIT		4,536,403	2,728,134
Administration Expenses		(3,943,519)	(2,157,892)
Income from shares in unlisted investments		188,711	-
Other Operating Income		1,558,133	1,408,832
Other Interest Receivable And Similar Income		36,401	91,824
Interest Payable and Similar Charges		(181,453)	(62,282)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	2,194,676	2,008,616
TAX ON PROFIT ON ORDINARY ACTIVITIES	4	(504,561)	(130,016)
PROFIT FOR THE YEAR		1,690,115	1,878,600
Dividends		145,000	100,000
RETAINED PROFIT FOR THE YEAR		1,545,115	1,778,600
AMOUNTS TRANSFERRED TO RESERVES	16	1,545,115	1,778,600

RANCOX LABORATORIES LTD

MODIFIED BALANCE SHEET
AS AT 31 DECEMBER 1998

	NOTES	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
FIXED ASSETS			
Intangible Assets		4,774,729	4,088,107
Tangible Assets		4,520,739	2,349,775
Investments		156,395	151,258
		<u>9,451,863</u>	<u>6,589,140</u>
CURRENT ASSETS			
Stocks		2,018,945	1,133,907
Debtors		5,832,784	4,676,993
Investments		1,042,218	87,975
Cash at Bank and in Hand		-	1,304,861
		<u>8,893,947</u>	<u>7,203,736</u>
CREDITORS - Amounts falling due within one year		<u>(2,350,720)</u>	<u>(1,889,963)</u>
NET CURRENT ASSETS		<u>6,543,227</u>	<u>5,313,773</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,995,090</u>	<u>11,902,913</u>
CREDITORS - Amounts falling due after more than one year		<u>(3,850,172)</u>	<u>(1,807,671)</u>
PROVISION FOR LIABILITIES AND CHARGES		<u>(1,769,632)</u>	<u>(1,265,071)</u>
NET ASSETS		<u>10,375,286</u>	<u>8,830,171</u>
CAPITAL AND RESERVES			
Called Up Share Capital	2	150,000	150,000
Profit and Loss Account		10,225,286	8,680,171
		<u>10,375,286</u>	<u>8,830,171</u>

We have relied on the exemptions for individual financial statements contained in Articles 255 to 257 of the Companies (Northern Ireland) Order 1986 because, under that Order, the company is entitled to benefit from these exemptions as a medium sized company.

21/10/99

DIRECTORS

DATE: 25 October 1999

W. H. P. Smith

RANCOX LABORATORIES LTD**CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 1998**

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>3,786,391</u>	<u>4,003,025</u>
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest Received	36,401	91,824
Interest Paid	(181,453)	(62,282)
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>(145,052)</u>	<u>29,542</u>
TAXATION		
Taxation	(149,845)	(189,761)
INVESTING ACTIVITIES		
Investments in Subsidiaries	(5,137)	-
Payments to Acquire Intangible Fixed Assets	(5,084,988)	(4,154,199)
Payments to Acquire Tangible Fixed Assets	(2,716,643)	(698,736)
Receipts from Sales of Tangible Fixed Assets	29,451	23,728
Payments to Acquire Short-term Investments	(954,243)	(87,975)
Repayment of Family Investment	-	(23,993)
Dividends	(145,000)	(100,000)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(8,876,560)</u>	<u>(5,041,175)</u>
	<u>-</u>	<u>-</u>
NET CASH OUTFLOW BEFORE FINANCING	<u>(5,385,066)</u>	<u>(1,198,369)</u>
FINANCING		
Capital Grants Received	1,475,149	583,949
Employment Grant Received	68,434	136,272
	<u>1,543,583</u>	<u>720,221</u>
NET CASH FLOW FROM FINANCING	<u>1,543,583</u>	<u>720,221</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(3,841,483)</u>	<u>(478,148)</u>

RANDEX LABORATORIES LTD

NOTES TO THE CASH FLOW STATEMENT

1. NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>1998</u>	<u>1997</u>
Profit on Ordinary Activities Before Taxation	2,194,676	2,008,616
Interest Paid	181,453	62,282
Interest Received	(36,401)	(91,824)
Employment Grant Received	(68,434)	(136,272)
Capital Grant Amortised	(1,581,222)	(1,319,175)
Amortisation of Intangible Fixed Assets	4,398,365	3,903,065
Depreciation on Tangible Fixed Assets	517,217	278,478
(Profit)/Loss on disposal of Fixed Assets	(989)	(4,540)
Profit on sale of investments	(188,711)	-
(Increase) in Stocks	(879,711)	(114,154)
(Increase) in Debtors	(1,136,215)	(1,243,564)
Increase in Creditors	386,363	660,113
	<u>3,786,391</u>	<u>4,003,025</u>

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
At 1 January	1,368,422	1,846,570
Net Cash Outflow	<u>(3,841,483)</u>	<u>(478,148)</u>
At 31 December	<u>(2,473,061)</u>	<u>1,368,422</u>

ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>	<u>CHANGE IN</u> <u>YEAR</u> <u>£</u>
Cash at Bank	<u>(2,473,061)</u>	<u>1,368,422</u>	<u>(3,841,483)</u>

RANDEX LABORATORIES LTD

NOTES TO THE ACCOUNTS

1 . ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The Company prepares its accounts on the historical cost basis of accounting. The principal accounting policies which have been adopted within that convention are set out below.

TURNOVER

Turnover represents the amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers during the year.

TANGIBLE ASSETS AND DEPRECIATION

Tangible assets are stated at cost which comprises the purchase price and any installation charges.

Depreciation is calculated to write off the cost of the assets within their useful lives. It is policy to provide a full year's depreciation charge in the year of purchase. The methods adopted and rates used are:

BUILDING RENOVATIONS	5 % STRAIGHT LINE
LAB EQUIPMENT	20% REDUCING BALANCE
OFFICE EQUIPMENT	20 % REDUCING BALANCE
MOTOR VEHICLES	25 % REDUCING BALANCE

RESEARCH AND DEVELOPMENT

Expenditure on research and development relating to diagnostic and enzyme related products produced by the company is written off over three years on a straight line basis.

INVESTMENTS

Investments are usually stated at cost, but are written down to realisable value if there has been any permanent diminution in value.

STOCK AND WORK IN PROGRESS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

The Company provides deferred taxation to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for taxation purposes on the liability method except where a liability is not considered likely to arise in the foreseeable future.

RANDOX LABORATORIES LTD

NOTES TO THE ACCOUNTS

CAPITAL GRANTS

(a) Research & Development

Grants received from IEDU are credited to the Profit and Loss Account by reference to the periods over which the products to which they relate are likely to be sold.

(b) Tangible Assets

Capital grants received in respect of Capital Expenditure upon Tangible Assets are credited to the Profit and Loss Account by instalments calculated at the same rates as the depreciation on the assets to which the grants relate.

REVENUE GRANTS

Revenue based grants are credited against the appropriate Profit and Loss Account items.

2. SEGMENT & MARKET INFORMATION

In accordance with Schedule 4 Section 55(5) of the Companies (Northern Ireland) Order 1986, Segment and Market Information has been omitted. The directors believe that to disclose such information would be seriously prejudicial to the interest of the company.

**3. PROFIT ON ORDINARY ACTIVITIES
BEFORE TAXATION**

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
after charging:		
Directors' Emoluments	245,404	229,139
Auditors' Remuneration	8,500	8,500
Depreciation	517,217	278,478
Interest Payable on Bank & Other Borrowings - repayable within 5 years	181,453	62,282
after crediting:		
Profit on Disposal of Fixed Assets	(989)	(4,540)
Profit on disposal of listed investments	(188,711)	-
Interest Received	(36,401)	(91,824)
Employment Grant Received	(68,434)	(136,272)
Grants Amortised	(1,581,222)	(1,319,175)
Exchange Loss/(Gain)	91,523	46,615

RANDOX LABORATORIES LTD

NOTES TO THE ACCOUNTS

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Corporation Tax Payable	-	149,845
Transfer to/(from) Deferred Tax	504,561	(19,829)
	<u>504,561</u>	<u>130,016</u>

5. INTANGIBLE ASSETS
RESEARCH & DEVELOPMENT

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
COST:		
At 1 January 1998	19,744,579	15,590,380
Additions	5,084,988	4,154,199
At 31 December 1998	<u>24,829,567</u>	<u>19,744,579</u>
Amortisation:		
At 1 January 1998	15,656,473	11,753,407
Increase	4,398,365	3,903,065
At 31 December 1998	<u>20,054,838</u>	<u>15,656,472</u>
BALANCE SHEET VALUE at 31 December 1998	<u>4,774,729</u>	<u>4,088,107</u>

RANDEX LABORATORIES LTD

NOTES TO THE ACCOUNTS

6. TANGIBLE ASSETS

	<u>Premises</u>	<u>Fixtures & Fittings</u>	<u>Plant & Machinery</u>	<u>Motor Vehicles</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
COST:					
At 1 JANUARY 1998	2,003,012	465,268	932,325	359,838	3,760,443
Additions	1,400,979	207,040	1,046,719	61,905	2,716,643
Disposals	-	-	-	(62,390)	(62,390)
At 31 December 1998	3,403,991	672,308	1,979,044	359,353	6,414,696
DEPRECIATION:					
At 1 JANUARY 1998	376,210	230,405	604,149	199,903	1,410,667
Charge for the year	109,592	87,900	274,979	44,747	517,218
Disposals	-	-	-	(33,928)	(33,928)
At 31 December 1998	485,802	318,305	879,128	210,722	1,893,957
BALANCE SHEET VALUE					
At 31 December 1998	2,918,189	354,003	1,099,916	148,631	4,520,739
BALANCE SHEET VALUE					
At 31 DECEMBER 1997	1,626,802	234,863	328,176	159,935	2,349,776

7. INVESTMENTS

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
INVESTMENTS IN SUBSIDIARIES:		
Shares at cost less amounts written off	156,395	151,258
	<u>156,395</u>	<u>151,258</u>

RANDEX LABORATORIES LTD

NOTES TO THE ACCOUNTS

8. STOCKS

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Raw Materials	438,791	382,942
Finished Goods	1,580,154	756,292
	<u>2,018,945</u>	<u>1,139,234</u>

9. DEBTORS

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Trade Debtors	2,170,380	3,406,953
Amounts owed by Group Companies	2,223,419	1,123,136
Other Debtors	1,399,277	99,717
Prepayments & Accrued Income	42,178	41,860
	<u>5,835,254</u>	<u>4,671,666</u>

10. CREDITORS - AMOUNTS FALLING DUE
WITHIN ONE YEAR

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Bank Loans and Overdrafts	723,400	-
Trade Creditors	1,076,420	1,337,089
Other Creditors	339,511	3,397
Taxation and Social Security Costs	153,490	340,905
Accruals and Deferred Income	393,702	268,997
	<u>2,686,523</u>	<u>580,397</u>

11. CREDITORS - AMOUNTS FALLING DUE
AFTER MORE THAN ONE YEAR

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Capital Grants	1,767,178	1,807,671
Bank Loan	1,749,661	-
Other Creditors	-	3,136
	<u>3,516,839</u>	<u>1,810,807</u>

RANDEX LABORATORIES LTD

NOTES TO THE ACCOUNTS

12. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>DEFERRED TAX</u>
	<u>£</u>
At 1 January 1998	1,265,071
Transfer from Profit & Loss Account	504,561
At 31 December 1998	<u>1,769,632</u>

13. DEFERRED TAXATION

	<u>FULL POTENTIAL LIABILITY</u>	<u>PROVISION MADE</u>
	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Capital Allowances in advance of depreciation	1,769,632	1,265,071
	<u>1,769,632</u>	<u>1,265,071</u>

14. CALLED UP SHARE CAPITAL

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
ALLOTTED & FULLY PAID UP		
90,000 Ordinary Shares of £1 each	90,000	90,000
60,000 Preference £1 Shares	60,000	60,000
	<u>150,000</u>	<u>150,000</u>
AUTHORISED		
500,000 Ordinary Shares of £1 each	<u>500,000</u>	<u>500,000</u>

LEDO have the option to redeem the cumulative preference shares at par. In January 1990, the company's authorised share capital was increased to 500,000 shares of £1 each and the company's issued share capital was increased to 150,000 by means of a bonus issue of 759 shares for every 141 shares held.

RANDOX LABORATORIES LTD

NOTES TO THE ACCOUNTS

15. OTHER RESERVES

CAPITAL GRANTS RESERVE

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Grants received/receivable during the year	1,621,715	1,502,520
Amortised to Profit and Loss Account	(1,581,222)	(1,319,175)
At 31 December 1998	<u>1,767,178</u>	<u>1,807,671</u>

16. PROFIT AND LOSS ACCOUNT

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
At 1 January 1998	8,680,171	6,901,571
Profit for the year	1,545,115	1,778,600
At 31 December 1998	<u>10,225,286</u>	<u>8,680,171</u>

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Profit for the year	1,690,115	1,878,600
Dividends	145,000	-
Net Additions to Shareholders' Funds	<u>1,545,115</u>	<u>1,778,600</u>
Shareholders' Funds at 1 January	8,680,171	6,901,571
Shareholders' Funds at 31 December	<u>10,225,286</u>	<u>8,680,171</u>

RANDEX LABORATORIES LTD

NOTES TO THE ACCOUNTS

18. DIRECTORS & EMPLOYEES

(a) Directors

The remuneration paid to Directors was:

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Fees	184,726	116,463
Other Emoluments (including pension contributions)	44,413	19,900
	<u>229,139</u>	<u>136,363</u>

Directors' remuneration, excluding pension contributions are as follows:

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Chairman	53,333	46,500
Highest Paid Director	83,060	47,264

Other directors remuneration is within the following bands:

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
£0 - £5,000	-	-
£5,001 -£10,000	-	-
£10,001 -£15,000	-	-
£20,001 -£25,000	2	2

(b) EMPLOYEES

The average weekly number of persons (including directors) employed by the company during the year was:

	<u>1998</u>	<u>1997</u>
Administration	29	29
Production	167	167
Distribution	27	27
	<u>223</u>	<u>223</u>

Their total remuneration was:

	<u>£</u>	<u>£</u>
Wages & Salaries	2,532,695	2,300,539