

Registration number 2326557

Retroscreen Virology Limited

Directors' report and financial statements

for the year ended 31 July 2004



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Retroscreen Virology Limited

Company information

Directors	Professor J S Oxford PhD Mr C J Perrin CBE MA Hon.MRCP Mr J Travers Clarke MA FCA CI Mgt Dr R Lambkin PhD Mr D Curtis CPFA
Secretary	Mr B Snape ACIS
Company number	2326557
Registered office & business address	The Medical Building Queen Mary University of London 327 Mile End Road London E1 4NS
Auditors	KPMG LLP 1 Forest Gate Brighton road Crawley West Sussex RH11 9PT

Retroscreen Virology Limited

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Retroscreen Virology Limited

Directors' report for the year ended 31 July 2004

The directors present their report and the financial statements for the year ended 31 July 2004.

Principal activity and review of the business

The principal activity of the company during the year was commercial medical research.

By nature of the trade, turnover and profits can vary widely from year to year.

Results and dividends

The directors do not recommend payment of a dividend for the year ended 31st July 2004. This reflects the results being poorer than budgeted, and the restructuring undertaken by the company to improve profitability.

Future developments

Although the last financial year has been a difficult time for the company, prospects at the start of the new financial year are encouraging. The sales book for the upcoming year is the healthiest for several years with a much broader client base ranging from large pharmaceutical companies to biotechnology companies with state of the art platform technologies. Opportunities within the virology research field are excellent and the company looks forward to continued growth and profitability.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	31/07/04	01/08/03 or date of appointment
Professor J S Oxford PhD	56	56
Mr C J Perrin CBE MA Hon.MRCP	-	-
Mr J Travers Clarke MA FCA CI Mgt	-	-
Dr R Lambkin PhD	-	-
Mr D Curtis CPFA	-	-

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 the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

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

Retroscreen Virology Limited

**Directors' report
for the year ended 31 July 2004**

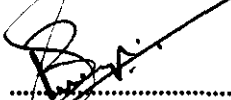
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that KPMG LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Board on10/12/04..... and signed on its behalf by



.....
Mr B Snape ACIS
Secretary

Retroscreen Virology Limited

Independent auditors' report to the shareholders of Retroscreen Virology Limited

We have audited the financial statements of Retroscreen Virology Limited for the year ended 31 July 2004 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 law and United Kingdom 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.

Retroscreen Virology Limited

Independent auditors' report to the shareholders of Retroscreen Virology Limited continued

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

**KPMG LLP
Chartered Accountants and
Registered Auditor**

3 February 2005

**1 Forest Gate
Brighton road
Crawley
West Sussex RH11 9PT**

Retroscreen Virology Limited

Profit and loss account for the year ended 31 July 2004

		Continuing operations	
		2004	2003
	Notes	£	£
Turnover	2	1,320,084	1,731,822
Cost of sales		(323,034)	(648,001)
Gross profit		997,050	1,083,821
Administrative expenses		(1,042,534)	(912,134)
Operating (loss)/profit	3	(45,484)	171,687
Other interest receivable and similar income		5	-
Interest payable and similar charges	4	(11,489)	(3,738)
(Loss)/profit on ordinary activities before taxation		(56,968)	167,949
Tax on (loss)/profit on ordinary activities	8	17,856	(52,253)
(Loss)/profit on ordinary activities after taxation		(39,112)	115,696
Dividends written back		29,175	-
(Loss)/retained profit for the year		(9,937)	115,696
Retained profit brought forward		384,811	269,115
Retained profit carried forward		374,874	384,811

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The results for the year and previous year are derived entirely from continuing operations.

The notes on pages 7 to 13 form an integral part of these financial statements.

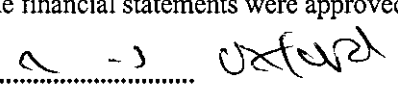
Retroscreen Virology Limited

Balance sheet as at 31 July 2004

		2004		2003	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	9		118,236		123,214
Current assets					
Stocks	10	310,787		195,859	
Debtors	11	627,902		569,366	
Cash at bank and in hand		6,700		134,081	
		<u>945,389</u>		<u>899,306</u>	
Creditors: amounts falling due within one year	12	<u>(676,055)</u>		<u>(637,576)</u>	
Net current assets			<u>269,334</u>		<u>261,730</u>
Total assets less current liabilities			<u>387,570</u>		<u>384,944</u>
Provisions for liabilities and charges	13		<u>(12,563)</u>		<u>-</u>
Net assets			<u><u>375,007</u></u>		<u><u>384,944</u></u>
Capital and reserves					
Called up share capital	14		133		133
Profit and loss account			<u>374,874</u>		<u>384,811</u>
Equity shareholders' funds	15		<u><u>375,007</u></u>		<u><u>384,944</u></u>

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies .

The financial statements were approved by the Board on 10/12/04 and signed on its behalf by



Professor J S Oxford PhD
Director

The notes on pages 7 to 13 form an integral part of these financial statements.

Retroscreen Virology Limited

Notes to the financial statements for the year ended 31 July 2004

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.

1.1. Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Under FRS1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking includes the company in its own published consolidated financial statements.

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Tangible fixed assets and depreciation

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

Improvements to premises	-	Straight Line over five years
Plant and machinery	-	25% Straight Line
Long term plant and equipment	-	10% Straight Line
Computer equipment	-	33.33% Straight Line
	-	

1.4. Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

1.5. 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 amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings.

1.6. Deferred taxation

Deferred tax is recognised, without discounting, in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

1.7. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

Retroscreen Virology Limited

Notes to the financial statements for the year ended 31 July 2004

..... continued

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

3. Operating (loss)/profit

	2004 £	2003 £
Operating (loss)/profit is stated after charging:		
Depreciation and other amounts written off tangible assets	48,608	46,912
Loss on foreign currencies	7,833	(250)
Auditors' remuneration	1,000	1,000
	<u> </u>	<u> </u>

4. Interest payable and similar charges

	2004 £	2003 £
Included in this category is the following:		
On amounts payable to group companies	11,489	3,738
	<u> </u>	<u> </u>
	<u>11,489</u>	<u>3,738</u>

5. Employees

Number of employees

The average monthly numbers of employees (including the directors) during the year were:

	2004 Number	2003 Number
Office, management and scientific staff	21	21
	<u> </u>	<u> </u>

Staff costs

	2004 £	2003 £
Wages and salaries	663,257	574,921
Social security costs	59,929	54,965
Other pension costs*	32,151	4,500
	<u> </u>	<u> </u>
	<u>755,337</u>	<u>634,386</u>

* The increase on year to year reflects the introduction of a staff pension scheme.

Retroscreen Virology Limited

**Notes to the financial statements
for the year ended 31 July 2004**

..... continued

6. Directors' emoluments

	2004	2003
	£	£
Remuneration and other benefits	<u>143,942</u>	<u>66,786</u>

Remuneration and other benefits paid to Professor JS Oxford amounted to £82608 (2003 - nil). 3 other directors did not charge for their services.

7. Pension costs

The company operates a defined contribution pension scheme in respect of the directors and employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £32,151 (2003 Directors - £4,500).

Retroscreen Virology Limited

**Notes to the financial statements
for the year ended 31 July 2004**

..... continued

8. Tax on (loss)/profit on ordinary activities

Analysis of charge in period	2004	2003
	£	£
Current tax		
UK corporation tax	-	52,253
Adjustments in respect of previous periods	(17,856)	-
	<u>(17,856)</u>	<u>52,253</u>

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2004	2003
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(56,968)</u>	<u>167,949</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (31 July 2003 : 30%)	(17,090)	50,385
Effects of:		
Expenses not deductible for tax purposes	296	1,262
Capital allowances for period in excess of depreciation	438	2,516
Utilisation of tax losses	(1)	-
Adjustments to tax charge in respect of previous periods	(1,499)	-
Marginal relief	-	(1,910)
Current tax charge for period	<u>(17,856)</u>	<u>52,253</u>

Retroscreen Virology Limited

Notes to the financial statements for the year ended 31 July 2004

..... continued

9. Tangible fixed assets	Improvements to premises £	Long term plant and equipment £	Plant and machinery £	Computer equipment £	Total £
Cost					
At 1 August 2003	-	89,792	189,251	81,934	360,977
Additions	8,634	20,008	8,943	6,045	43,630
At 31 July 2004	<u>8,634</u>	<u>109,800</u>	<u>198,194</u>	<u>87,979</u>	<u>404,607</u>
Depreciation					
At 1 August 2003	-	22,586	161,538	53,639	237,763
Charge for the year	1,727	10,980	16,633	19,268	48,608
At 31 July 2004	<u>1,727</u>	<u>33,566</u>	<u>178,171</u>	<u>72,907</u>	<u>286,371</u>
Net book values					
At 31 July 2004	<u>6,907</u>	<u>76,234</u>	<u>20,023</u>	<u>15,072</u>	<u>118,236</u>
At 31 July 2003	<u>-</u>	<u>67,206</u>	<u>27,713</u>	<u>28,295</u>	<u>123,214</u>

10. Stocks	2004 £	2003 £
Work in progress	102,887	91,763
Finished goods and goods for resale	<u>207,900</u>	<u>104,096</u>
	<u>310,787</u>	<u>195,859</u>

11. Debtors	2004 £	2003 £
Trade debtors	597,264	556,997
Other debtors	18,456	1,637
Prepayments and accrued income	<u>12,182</u>	<u>10,732</u>
	<u>627,902</u>	<u>569,366</u>

Retroscreen Virology Limited

**Notes to the financial statements
for the year ended 31 July 2004**

..... continued

12. Creditors: amounts falling due within one year	2004 £	2003 £
Trade creditors	91,233	130,393
Amounts owed to group undertaking	546,033	327,598
Corporation tax	-	52,253
Other taxes and social security costs	16,812	44
Other creditors	10,177	61,290
Accruals and deferred income	11,800	65,998
	<u>676,055</u>	<u>637,576</u>

13. Provisions for liabilities and charges

	Other provisions £	Total £
Charge for the year	12,563	12,563
At 31 July 2004	<u>12,563</u>	<u>12,563</u>

14. Share capital	2004 £	2003 £
Authorised		
1,000 Ordinary shares of 1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
133 Ordinary shares of 1 each	<u>133</u>	<u>133</u>

Retroscreen Virology Limited

Notes to the financial statements for the year ended 31 July 2004

..... continued

15. Reconciliation of movements in shareholders' funds	2004 £	2003 £
(Loss)/profit for the year	(39,112)	115,696
Dividends written back	29,175	-
	(9,937)	115,696
Opening shareholders' funds	384,944	269,248
Closing shareholders' funds	375,007	384,944

16. Ultimate parent undertaking

Retroscreen Virology Limited is a 57.89% owned subsidiary of QMW Industrial Research Limited, which is a wholly owned subsidiary of Queen Mary, University of London, the Ultimate Parent.

The largest group in which the results of the company are consolidated is that headed by Queen Mary, University of London, which is incorporated by Royal Charter. The consolidated accounts are available to the public and may be obtained from the Director of Finance at Queen Mary, University of London, Mile End Road, London E1 4NS.

17. Related party transactions

The company is controlled by Queen Mary, University of London, the Ultimate Parent.

The related parties, as defined by FRS8 and the nature of the relationship and the extent of transactions with those parties during the year are summarised below:

Retroscreen Virology Limited's immediate parent undertaking is QMW Industrial Research Limited. QMW Industrial Research Limited has a 57.89% interest in Retroscreen Virology Limited. There were no transactions between Retroscreen Virology Limited and QMW Industrial Research Limited in the year.

QMW Industrial Research Limited is a subsidiary of Queen Mary, University of London, who is the ultimate controlling party. Amounts owed to group companies represents a balance at the year end with Queen Mary, University of London.

Expenses amounting to £844,830 were recharged by Queen Mary, University of London, and services to the value of £10,127 were provided to Queen Mary, University of London during the year.

Retroscreen Virology Limited

The following pages do not form part of the statutory accounts.

Retroscreen Virology Limited

Detailed trading and profit and loss account for the year ended 31 July 2004

	2004		2003	
	£	£	£	£
Sales		1,320,084		1,731,822
Cost of sales				
Opening stock and work in progress	195,859		161,137	
Research expense and materials	418,695		607,026	
Consultancy fees	3,601		50,472	
Carriage, freight & courier costs	15,666		23,846	
Patent agent's fees	-		1,379	
	<u>633,821</u>		<u>843,860</u>	
Closing stock and work in progress	<u>(310,787)</u>		<u>(195,859)</u>	
		(323,034)		(648,001)
Gross profit		997,050		1,083,821
Administrative expenses	1,042,534		912,134	
	<u>(1,042,534)</u>		<u>(912,134)</u>	
Operating (loss)/profit		(45,484)		171,687
Other income and expenses				
Other interest	<u>5</u>		<u>-</u>	
		5		-
Group interest	<u>11,489</u>		<u>3,738</u>	
		(11,489)		(3,738)
Net (loss)/profit for the year		<u>(56,968)</u>		<u>167,949</u>

Retroscreen Virology Limited

Administrative expenses for the year ended 31 July 2004

	2004 £	2003 £
Administrative expenses		
Administration salaries	171,008	177,530
Scientific salaries	409,053	390,070
Redundancy costs	12,563	-
Directors remuneration	130,562	62,286
Directors' pension scheme	13,380	4,500
Staff pension costs	18,771	-
Other Staff Costs	48,356	18,940
Staff welfare	4,660	5,384
Travelling	22,692	14,508
Rent	6,134	24,200
Advertising and promotion	38,995	27,092
Printing and stationery	9,678	11,939
Insurance	7,271	-
Computer software and consultancy	16,346	12,617
Equipment maintenance and repair	15,197	7,608
Service charge payable	8,752	-
Telecommunications	12,614	12,169
Entertaining	986	4,148
Legal & Professional fees	16,327	29,320
Accountancy and consultancy fees	5,300	6,200
Audit	1,000	1,000
Bank charges	732	1,200
Bad debts	11,250	10,399
Doubtful debts	-	30,000
Profit/loss on exchange	7,833	(250)
General expenses	4,442	5,810
Charitable donations	-	5,000
Subscriptions and publications	24	3,552
Depreciation on improvements to premises	1,727	-
Depreciation on LT plant and machinery	10,980	8,979
Depreciation on plant and machinery	16,633	16,331
Depreciation on FF & Equipment	19,268	21,602
	<u>1,042,534</u>	<u>912,134</u>