

**Deloitte &
Touche**

Deloitte Touche
Tohmatsu



Company Registration No.1480123

ASTRA TECH LIMITED

Report and Financial Statements

31 December 1998

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



REPORT AND FINANCIAL STATEMENTS 1998

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REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G Wennerstroem (Chairman)
R J Seaden

SECRETARY

P Trotman

REGISTERED OFFICE

Brunel Way
Stonehouse
Gloucestershire GL10 3SW

BANKERS

National Westminster Bank PLC
George Street
Stroud
Gloucestershire GL5 3DT

SOLICITORS

Reynolds Porter Chamberlain
Chichester House
278/282 High Holborn
London WC1V 7HA

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was the sale and distribution of hospital disposable surgical and dental products.

REVIEW OF BUSINESS AND FUTURE PROSPECTS

The year provided a significant increase in sales of existing products whilst overhead costs were contained where possible. It is anticipated that the business will expand further in 1999.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £1,152,873 (1997 - £1,096,400). No dividends have been paid or proposed in the year (1997 - £8 per share). The directors do not recommend the payment of a final dividend.

YEAR 2000

The company is giving high priority to the task of ensuring that all its systems are year 2000 compliant. A programme is currently in place to address this issue. The costs related to the programme are not expected to be material to the profitability of the group and will be written off as incurred.

DIRECTORS

The following directors held office throughout 1998:

G Wennerstroem

R J Seaden

DIRECTORS' INTERESTS IN SHARES

Neither of the directors has any beneficial interests in the shares of the company.

The directors' interests, if any, in the shares of the ultimate parent company are not required to be disclosed as the company is a wholly owned subsidiary of a company incorporated outside Great Britain.

EMPLOYEES

The company actively encourages the involvement of employees and a stated policy of the company is to provide all members of staff with an individual training programme. The methods of involvement include regular staff meetings and a company journal. The company operates a profit sharing scheme.

The employment policy does not discriminate between employees or potential employees on the grounds of sex, colour, race, ethnic or national origin, marital status or religious beliefs. In the case of the disabled, the company gives full consideration to applications for employment from disabled persons who can demonstrate that they have the necessary abilities. If an employee becomes disabled whilst in employment and, as a result, was unable to perform his/her normal duties, every effort would be made to offer suitable alternative employment and assist with retraining.

RESEARCH AND DEVELOPMENT

No research and development activity was undertaken during the year.



DIRECTORS' REPORT

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board on 20 April 1999.



P Trotman
Secretary

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company 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;
- 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.



AUDITORS' REPORT TO THE MEMBERS OF ASTRA TECH LIMITED

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on page 8.

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. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors

20 April 1999

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	1998 £	1997 £
TURNOVER	2	11,348,532	9,794,247
Cost of sales		(7,201,409)	(6,108,023)
Gross profit		4,147,123	3,686,224
Other operating expenses	3	(2,465,894)	(2,159,056)
OPERATING PROFIT		1,681,229	1,527,168
Interest receivable and similar income	4	87,388	39,925
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,768,617	1,567,093
Tax on profit on ordinary activities	7	(615,744)	(470,693)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,152,873	1,096,400
Dividends paid	8	-	(800,000)
RETAINED PROFIT FOR THE YEAR	16	1,152,873	296,400

No separate statement of total recognised gains and losses has been presented as all such gains or losses have been dealt with in the profit and loss account.

The results of the company relate exclusively to continuing operations.


BALANCE SHEET
31 December 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Intangible fixed assets	9	320,000	-
Tangible fixed assets	10	180,363	121,131
		<u>500,363</u>	<u>121,131</u>
CURRENT ASSETS			
Stocks	11	843,183	324,007
Debtors	12	2,766,492	2,480,983
Cash at bank and in hand		1,132,806	494,638
		<u>4,742,481</u>	<u>3,299,628</u>
CREDITORS: amounts falling due within one year	13	<u>(2,294,239)</u>	<u>(1,625,027)</u>
NET CURRENT ASSETS		<u>2,448,242</u>	<u>1,674,601</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,948,605	1,795,732
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>-</u>	<u>-</u>
		<u>2,948,605</u>	<u>1,795,732</u>
CAPITAL AND RESERVES			
Called up share capital	15	100,000	100,000
Profit and loss account	16	2,848,605	1,695,732
EQUITY SHAREHOLDERS' FUNDS	17	<u>2,948,605</u>	<u>1,795,732</u>

These financial statements were approved by the Board of Directors on 20 April 1999.

Signed on behalf of the Board of Directors

R J Seaden

Director

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Intangible fixed assets

Intangible fixed assets are stated at historical cost. Amortisation is provided on licences over three years.

Tangible fixed assets

Tangible fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Short leasehold improvements	over the term of the lease
Plant and machinery	over 10 years
Computer equipment	over 3 to 5 years
Office fixtures and fittings	over 5 to 10 years

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred taxation

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

Leased assets and obligations

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the lease.

Pension contributions

The cost of providing pensions for employees under the terms of the Astra 1995 Pension Scheme are charged to the profit and loss account as contributions, recommended by qualified actuaries, become payable in accordance with the rules of the scheme.

Foreign currency

Transactions 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. Exchange gains and losses, arising on both settled and unsettled foreign currency transactions, are included in the results on ordinary activities before taxation.

Cash flow statement

The company has taken advantage of the exemption permitted by FRS 1 (revised) not to produce a cash flow statement as the cash flows of the company are included in the ultimate parent company's consolidated financial statements which are publicly available.


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were all derived from its principal activity. Sales were made in the following geographical markets:

	1998 £	1997 £
United Kingdom	11,269,240	9,749,483
Europe	68,968	44,307
Other	10,324	457
	<u>11,348,532</u>	<u>9,794,247</u>

3. OTHER OPERATING EXPENSES

	1998 £	1997 £
Selling and promotion	1,424,909	1,377,027
Distribution costs	431,499	203,926
Administrative expenses	609,486	578,103
	<u>2,465,894</u>	<u>2,159,056</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £	1997 £
Bank and other interest receivable	<u>87,388</u>	<u>39,925</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £	1997 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Amortisation of intangible fixed assets	160,000	-
Depreciation and amounts written off tangible fixed assets - owned assets	58,404	56,918
Loss/(profit) on disposal of tangible fixed assets	642	(186)
Operating lease rentals:		
Plant and machinery	152,062	158,007
Other	54,000	54,000
Auditors' remuneration and expenses:		
Audit	6,000	4,003
Other services	351	900
	<u> </u>	<u> </u>

6. EMPLOYEES

	1998 No.	1997 No.
The average monthly number of persons (including directors) employed by the company during the year was:		
Sales and distribution	29	26
Administration	9	8
	<u> </u>	<u> </u>
	38	34
	<u> </u>	<u> </u>
Staff costs for the above persons:	£	£
Wages and salaries	876,337	787,101
Social security costs	79,191	65,857
Other pension costs	81,627	91,377
	<u> </u>	<u> </u>
	1,037,155	944,335
	<u> </u>	<u> </u>
Directors' remuneration	£	£
Total emoluments (including pension contributions of £10,206 (1997 - £10,389))	113,759	104,758
	<u> </u>	<u> </u>

One director accrued benefits during the year under a defined benefit pension scheme (1997 - 1).

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
UK Corporation tax at 31% (1997 - 31%)	616,920	510,081
Over provision in prior years	(1,176)	(16,288)
Deferred taxation	-	(23,100)
	<u>615,744</u>	<u>470,693</u>

8. DIVIDENDS PAID

	1998 £	1997 £
Ordinary equity:		
Interim paid - £nil (1997 - £8 per share)	-	800,000
	<u>-</u>	<u>800,000</u>

9. INTANGIBLE FIXED ASSETS

	Licences £
Cost	
At 1 January 1998	-
Additions	480,000
	<u>480,000</u>
At 31 December 1998	<u>480,000</u>
Amortisation	
At 1 January 1997	-
Charged in the year	160,000
	<u>160,000</u>
At 31 December 1998	<u>160,000</u>
Net book value	
At 31 December 1998	<u>320,000</u>
At 31 December 1997	<u>-</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
10. TANGIBLE FIXED ASSETS

	Short leasehold improvements £	Plant and machinery £	Computer equipment £	Office fixtures and fittings £	Total £
Cost					
At 1 January 1998	21,979	22,405	147,185	132,865	324,434
Additions	23,777	53,334	33,279	15,236	125,626
Disposals	-	(4,200)	(7,396)	(14,957)	(26,553)
At 31 December 1998	45,756	71,539	173,068	133,144	423,507
Depreciation					
At 1 January 1998	5,596	10,273	109,246	78,188	203,303
Charged in the year	2,869	7,554	35,750	12,231	58,404
Disposals	-	(2,475)	(5,115)	(10,973)	(18,563)
At 31 December 1998	8,465	15,352	139,881	79,446	243,144
Net book value					
At 31 December 1998	37,291	56,187	33,187	53,698	180,363
At 31 December 1997	16,383	12,132	37,939	54,677	121,131

11. STOCKS

	1998 £	1997 £
Finished goods and goods for resale	843,183	324,007

12. DEBTORS

	1998 £	1997 £
Due within one year:		
Trade debtors	2,491,600	2,215,815
Other debtors	733	4,290
Prepayments and accrued income	74,159	60,878
Due after more than one year:		
Advance corporation tax	200,000	200,000
	2,766,492	2,480,983

Included within other debtors is £nil (1997 - £4,000) due from R Seaden, managing director. This loan was interest free and as expected was recovered in full during the year. The maximum amount due from R Seaden during the year was £4,000.


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Trade creditors	55,175	20,430
Amounts due to fellow subsidiary undertakings	1,021,529	599,764
Group relief payable	616,920	510,081
Other taxation and social security costs	565,777	461,101
Accruals and deferred income	34,838	33,651
	<u>2,294,239</u>	<u>1,625,027</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation provided in the financial statements and the unprovided potential liability are:

	Amount provided		Unprovided liability	
	1998 £	1997 £	1998 £	1997 £
Excess of tax allowances over depreciation	-	-	-	-
Other short timing differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

15. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised: 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, issued and fully paid: 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

16. PROFIT AND LOSS ACCOUNT

	1998 £	1997 £
At 1 January	1,695,732	1,399,332
Retained profit for the year	<u>1,152,873</u>	<u>296,400</u>
At 31 December	<u>2,848,605</u>	<u>1,695,732</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	1,152,873	1,096,400
Dividends	-	(800,000)
Net addition to shareholders' funds	1,152,873	296,400
Opening shareholders' funds	1,795,732	1,499,332
Closing shareholders' funds	<u>2,948,605</u>	<u>1,795,732</u>

18. COMMITMENTS UNDER OPERATING LEASES

	1998 £	1997 £
At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:		
Land and buildings:		
Expiring after five years	<u>54,000</u>	<u>54,000</u>
Other:		
Expiring within one year	54,214	23,972
Expiring between two and five years	<u>76,447</u>	<u>117,564</u>
	<u>130,661</u>	<u>141,536</u>

19. PENSION COMMITMENTS

On 1 January 1996 all existing employees were transferred to a new group pension scheme known as the Astra 1995 Pension Scheme, a funded defined benefit pension scheme whose assets are held in independent trustee administered funds. Contributions to the scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation of the Astra 1995 Pension Scheme was carried out as at 1 January 1996.

The principal actuarial assumptions used were a rate of return on investments of 8.5% per annum, salary increases of 7% per annum, an allowance for pensions to increase at 4.5% per annum or 4% per annum, depending on the benefits, and for dividends to increase at the rate of 4.25% per annum.

At the valuation date the actuarial value of the assets on this basis was sufficient to cover 100.6% of the benefits that had accrued to members in the scheme. The market value of the scheme's assets was £54.2 million.

The pension expense for the pension scheme amounted to £81,627 (1997 - £91,377).

**NOTES TO THE ACCOUNTS**
Year ended 31 December 1998**20. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No 8, Related Party Disclosures, not to disclose transactions with Astra Aktiebolaget group companies or interests of the group who are related parties.

21. ULTIMATE PARENT UNDERTAKING

The ultimate parent company and controlling entity is Astra Aktiebolaget, a company incorporated in Sweden. Group accounts for Astra Aktiebolaget may be obtained from the following address:

Astra Pharmaceuticals Limited
Government and Public Affairs Department
Home Park
Kings Langley
Hertfordshire
WD4 8DH