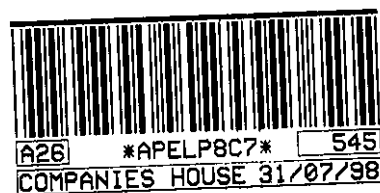


Registered

Company No. 1909980



AQUACULTURE HOLDINGS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

AQUACULTURE HOLDINGS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

Company Registration Number: 1909980

Registered Office: 24/26 Gold Street
Saffron Walden
Essex
CB10 1EJ

Directors: Dr P D Smith
R G Wardle
Dr J M Walsh
W A H Molesworth
S G Pritchard

Secretary: S G Pritchard

Bankers: National Westminster Bank
Watford

Solicitors: Hewitson, Becke & Shaw
Cambridge

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants
Central Milton Keynes

AQUACULTURE HOLDINGS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

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AQUACULTURE HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1997.

Principal activity

The principal activity of the company is the management of its subsidiary undertaking.

Business review

The company did not trade after 20 March 1997 other than to manage its subsidiary company.

No profit or loss arose during the year.

Directors

The present membership of the Board is set out below. All directors served throughout the year except where indicated. Mr R G Ford resigned from the Board on 20 March 1997.

Dr P D Smith

R G Wardle

Dr J M Walsh (appointed 20 March 1997)

W A H Molesworth (appointed 20 March 1997)

S G Pritchard (appointed 20 March 1997)

The interests of the directors in the shares of the company and other group undertakings as at 1 January 1997 or the date of their appointment to the Board if later and 31 December 1997, were as follows:

	Company	Class of share	At 31 December 1997	At 1 January 1997 or date of appointment if later
Dr P D Smith	AVL Holdings Ltd	Ordinary	35,340	-
	Aquaculture Holdings Ltd	'A' Ordinary	-	18,750
R G Wardle	AVL Holdings Ltd	Ordinary	19,437	-
	Aquaculture Holdings Ltd	'A' Ordinary	-	245
		'B' Ordinary	-	2,109
		'B' Deferred	-	1,146
Dr J M Walsh	AVL Holdings Ltd	Ordinary	19,437	-
W A H Molesworth	AVL Holdings Ltd	Ordinary	19,437	-
S G Pritchard	AVL Holdings Ltd	Ordinary	19,437	-

AQUACULTURE HOLDINGS LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Directors' responsibilities for 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 period. In preparing those financial statements, the directors are required to:

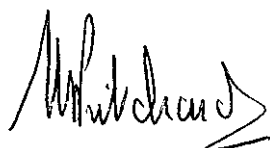
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton were appointed as auditors on 2 June 1997 to fill a casual vacancy in accordance with section 388 (1) of the Companies Act 1985. Special notice pursuant to section 388(3) having been given, a resolution to reappoint Grant Thornton as auditors will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD



S G Pritchard
Director

20 April 1998.

REPORT OF THE AUDITORS TO THE MEMBERS OF

AQUACULTURE HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 9 which have been prepared under the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described on page 2 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 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Central Milton Keynes

27 April 1998.

AQUACULTURE HOLDINGS LIMITED

PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention.

The company is exempt from preparing consolidated financial statements on the grounds that, taken together with its subsidiary, it qualifies as a small sized group under s248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Turnover

Turnover is the total amount receivable by the company for services provided, excluding VAT.

Investments

Investments are included at cost less amounts written off.

AQUACULTURE HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	1997 £	1996 £
Turnover	1	1,078	2,125
Administrative expenses		(1,078)	(2,125)
Result for the financial year		-	-

There were no recognised gains or losses other than the result for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

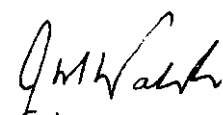
AQUACULTURE HOLDINGS LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	Note	£	1997 £	£	1996 £
Fixed assets					
Investments	2		54,662		54,662
Current assets					
Debtors	3	222,437		223,077	
Creditors: amount falling due within one year	4	1,110		1,750	
Net current assets			221,327		221,327
Total assets less current liabilities			275,989		275,989
Capital and reserves					
Called up share capital	5		272,250		272,250
Share premium account	6		3,500		3,500
Profit and loss account	6		239		239
Shareholders' funds			275,989		275,989
Equity shareholders' funds			186,809		186,809
Non - equity shareholders' funds			89,180		89,180
			275,989		275,989

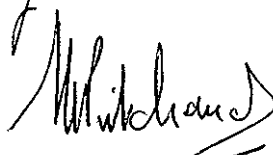
The financial statements were approved by the Board of Directors on 20 April 1998

Dr J M Walsh



Director

S G Pritchard



Director

The accompanying accounting policies and notes form an integral part of these financial statements.

AQUACULTURE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

1 Turnover and result on ordinary activities before taxation

For the year ended 31 December 1997, the company operated as a holding company.

The result on ordinary activities is stated after:

	1997 £	1996 £
Auditors' remuneration	860	1,690
	<u> </u>	<u> </u>

2 Fixed asset investments

Shares in subsidiary
undertaking
£

At 1 January 1997 and at 31 December 1997

54,662

At 31 December 1997, the company held more than 20% of the allotted share capital of the following undertakings:

	Country of incorporation	Class of share capital held	Proportion held	Nature of business	Capital and reserves at 31 December 1997 £	Profit/(loss) for the year ended 31 December 1997 £
Aquaculture Vaccines Limited	England and Wales	Ordinary	100%	Research, development, licensing & marketing of a range of fish health care products	101,933	(315,218)
Aquaculture Vaccines Ireland Limited	Republic of Ireland	Ordinary	100%	Dormant	2	-

AQUACULTURE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1997

3 Debtors: amounts falling due after one year

	1997	1996
	£	£
Amounts owed by subsidiary undertaking	222,437	223,077
	<u> </u>	<u> </u>

4 Creditors: amounts falling due within one year

	1997	1996
	£	£
Accruals and deferred income	1,110	1,750
	<u> </u>	<u> </u>

AQUACULTURE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1997

5 Called up share capital

	1997 £	1996 £
Authorised		
'A' ordinary shares of £1 each	20,000	20,000
Convertible 'B' ordinary shares of £1 each	267,000	267,000
Convertible 'C' ordinary shares of £1 each	13,000	13,000
	<u>300,000</u>	<u>300,000</u>
Allotted, called up and fully paid		
'A' ordinary shares of £1 each	18,995	18,995
'B' ordinary shares of £1 each	164,075	164,075
'B' deferred shares of £1 each	89,180	89,180
	<u>272,250</u>	<u>272,250</u>

'A' Ordinary shares

'A' ordinary shares are equity shares which carry an entitlement to a dividend. Holders of 'A' ordinary shares have one vote for every share held.

Convertible 'B' shares

The holders of convertible 'B' shares may convert their shares into 'B' ordinary shares and 'B' deferred shares in accordance with the procedures set out in the Articles of Association.

'B' ordinary shares are equity shares which carry an entitlement to a dividend. Holders of 'B' ordinary shares have one vote for every share held.

'B' deferred shares are preference shares which do not carry an entitlement to a dividend, but do have rights on winding up. Holders of 'B' deferred shares do not have any votes.

Convertible 'C' shares

The holders of convertible 'C' shares may convert their shares into 'A' ordinary shares upon the conversion of the convertible 'B' shares (as above).

Convertible 'C' shares are preference shares which do not carry an entitlement to a dividend nor voting rights.

AQUACULTURE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1997

6 Share premium account and reserves

	Share premium account £	Profit and loss account £
At 1 January 1997 and 31 December 1997	3,500	239

7 Controlling related party

The ultimate parent undertaking and ultimate controlling undertaking of this company is AVL Holdings Limited. AVL Holdings Limited is the company's controlling related party by virtue of its 100% shareholding.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by AVL Holdings Limited.

The consolidated accounts of this group may be obtained from AVL Holdings Limited, 24/26 Gold Street, Saffron Walden, Essex.

8 Related party transactions

As a wholly owned subsidiary of AVL Holdings Limited the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group headed by AVL Holdings Limited