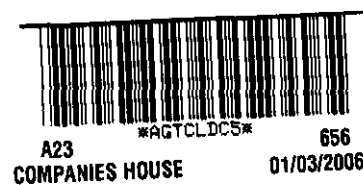


Biozyme Laboratories International Limited

**Directors' report and financial
statements**

Registered number 1962503

For the year ended 30 September 2005



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2005.

Principal activities

The principal activity of the company continues to be the distribution of enzymes and biochemicals.

Business review

The results are set out in the profit and loss account on page 4 and show a pre-tax profit for the year of £398,000 (2004: £208,000). The directors are satisfied with the good trading performance of the company during the year.

The directors propose a final dividend of £250,000 (2004: £125,000).

Research and development

The company is not engaged in any research or development projects.

Directors and directors' interests

The directors of the company during the year were as follows:

J Chesham
Theratase plc
Cranfield Biotechnology Limited

The directors, other than Theratase plc, who held office at the end of the financial year had no beneficial interest in the shares of the company as it is a wholly owned subsidiary of Theratase plc.

Mr J Chesham is the beneficial owner of 74,440 shares in Theratase plc, the company's ultimate parent.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company, is to be proposed at the next annual general meeting.

By order of the board



CD Anderson
Director

Unit 6
Gilchrist-Thomas Industrial Estate
Blaenavon
Gwent
NP4 9RL

9 December 2005

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 and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Biozyme Laboratories International Limited

We have audited the financial statements on pages 4 to 12.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit 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 30 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

9 December 2005

Profit and loss account
for the year ended 30 September 2005

	<i>Note</i>	2005 £000	2004 £000
Turnover – continuing operations	2	1,866	1,609
Cost of sales		(1,297)	(1,137)
Gross profit		569	472
Administrative expenses		(171)	(264)
Operating profit being the profit on ordinary activities before taxation	3	398	208
Tax on profit on ordinary activities	5	(143)	(76)
Profit on ordinary activities after taxation		255	132
Dividends		(250)	(125)
Profit for the financial year	12	5	7

A statement of recognised gains and losses is not provided as all such items are included within the above profit and loss account.

Balance sheet
at 30 September 2005

	<i>Note</i>	2005		2004	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	6		3		4
Current assets					
Stocks	7	89		69	
Debtors	8	515		300	
Cash at bank and in hand		25		120	
		<u>629</u>		<u>489</u>	
Creditors: amounts falling due within one year	9	<u>(422)</u>		<u>(288)</u>	
Net current assets			<u>207</u>		<u>201</u>
Total assets less current liabilities			<u>210</u>		<u>205</u>
Creditors: amounts falling due after more than one year	10		<u>(1)</u>		<u>(1)</u>
Net assets			<u>209</u>		<u>204</u>
Capital and reserves					
Called up share capital	11		1		1
Profit and loss account	12		208		203
Equity shareholders' funds			<u>209</u>		<u>204</u>

These financial statements were approved by the board of directors on 9 December 2005 and were signed on its behalf by:



J Chesham
 For and on behalf of Theratase plc
 Director

Reconciliation of movements in shareholders' funds
for the year ended 30 September 2005

	2005 £000	2004 £000
Profit for the financial year	255	132
Dividends proposed	(250)	(125)
	<hr/>	<hr/>
Net addition to shareholders' funds	5	7
Shareholders' funds at beginning of year	204	197
	<hr/>	<hr/>
Shareholders' funds at end of year	209	204
	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

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. The company has adopted FRS18 'Accounting policies' and FRS19 'Deferred tax' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable UK Accounting Standards and under the historical cost accounting rules.

Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of a UK parent which prepares a cash flow statement.

Fixed assets and depreciation

Depreciation is calculated to write off the cost of fixed assets less the estimated residual value over their expected useful lives, by reference to original cost or subsequent valuation on the following annual bases:

Fixtures, fittings and office equipment	-	10% straight line
Computer equipment	-	33% straight line

Stocks

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

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting in respect of all 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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers during the year.

Foreign currencies

Transactions denominated in a foreign currency are translated at the exchange rate in operation on the date on which the transaction occurred. At the balance sheet date the financial statements are translated by using the closing rate method. All exchange gains and losses are reflected in the profit and loss account within profit on ordinary activities before taxation.

Pension scheme

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds during the year.

Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose related party transactions with Theratase plc and its subsidiaries.

Notes (continued)

2 Turnover

Turnover, and the profit on ordinary activities before taxation, is derived solely from the principal activity of the business.

The geographical analysis of turnover by destination is as follows:

	2005 £000	2004 £000
United States of America	1,866	1,609

3 Operating profit

2005 £000	2004 £000
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Operating profit is stated after charging

Depreciation of tangible fixed assets	1	3
Loss on disposal of fixed assets	-	1
Equipment Hire	21	-
Auditor's remuneration	11	11
Exchange differences	5	17

4 Staff numbers and costs

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

	Number of employees	
	2005	2004
Sales and marketing	2	2
	2	2

The aggregate payroll costs were as follows:

	£000	£000
Wages and salaries	83	78
Other social security costs	6	6
Pension costs	7	7
	96	91

No payments were made to any director by the company in the current or preceding year.

Notes (continued)

5 Tax on profit on ordinary activities

	2005 £000	2004 £000
<i>UK corporation tax</i>		
Current tax on income for period	155	82
Adjustment in respect of prior years	(12)	(6)
	<hr/>	<hr/>
	143	76
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge is higher (2004: higher) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The difference is explained below:

	2005 £000	2004 £000
<i>Current tax reconciliations</i>		
Profit on ordinary activities before tax	398	208
	<hr/>	<hr/>
Current tax at UK rate of 30% (2004: 30%)	119	62
<i>Effects of:</i>		
Higher US tax rate of 34% (2004: 34%)	23	5
Expenses not deductible for tax purposes	11	15
Capital allowances less than depreciation	-	1
Adjustment to tax charge in respect of prior periods	(12)	-
Other timing differences	2	(1)
	<hr/>	<hr/>
Total current tax charge	143	82
	<hr/>	<hr/>

Notes (continued)

6 Tangible assets

	Computer equipment	Fixtures, fittings and office equipment	Total
	£000	£000	£000
<i>Cost</i>			
At beginning of year	9	13	22
Exchange difference	-	-	-
Additions	-	1	1
	<hr/>	<hr/>	<hr/>
At end of year	9	14	23
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	9	9	18
Exchange difference	-	1	1
Charge for the year	-	1	1
Disposals			
	<hr/>	<hr/>	<hr/>
At end of year	9	11	20
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 September 2005	-	3	3
	<hr/>	<hr/>	<hr/>
At 30 September 2004	-	4	4
	<hr/>	<hr/>	<hr/>

7 Stocks

	2005 £000	2004 £000
Finished goods	89	69
	<hr/>	<hr/>

The current replacement cost of the stocks is not considered to be materially different from their balance sheet value.

8 Debtors

	2005 £000	2004 £000
Trade debtors	207	294
Amount owed by group undertakings	301	-
Prepayments and accrued income	7	6
	<hr/>	<hr/>
	515	300
	<hr/>	<hr/>

Notes (continued)

9 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Amounts owed to group undertakings	-	98
Obligations under hire purchase contracts	1	1
Corporation tax	127	50
Proposed dividends	250	125
Accruals and deferred income	35	13
Other creditors	9	1
	<u>422</u>	<u>288</u>

10 Creditors: amounts falling due after more than one year

	2005 £000	2004 £000
Obligations under hire purchase contracts	1	1
	<u>1</u>	<u>1</u>

11 Called up share capital

	2005 £000	2004 £000
<i>Authorised, allotted, called up and fully paid equity shares:</i>		
1,000 ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

12 Profit and loss account

	2005 £000	2004 £000
Balance at beginning of year	203	196
Retained profit for the year	5	7
	<u>208</u>	<u>203</u>
Balance at end of year	208	203

Notes (continued)

13 Pension costs

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the fund and amounted to £Nil (2004: £7,000).

14 Commitments

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases:

	Fixtures, fittings and office equipment		Land and buildings	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Expiry date:				
Less than one year	2	1	20	-
Between one and two years	2	1	17	-
Between two and five years	5	1	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	9	3	37	-
	<hr/>	<hr/>	<hr/>	<hr/>

15 Contingent liabilities

Together with the ultimate parent company and its subsidiaries, the company has entered into a cross guarantee in favour of the group's bankers in respect of loan facilities. At 30 September 2005, the potential liability under this arrangement amounted to £2,571,000 (2004: £3,600,000).

16 Parent company

The immediate parent company is Biozyme Laboratories Limited, and the ultimate parent company is Theratase plc, both are incorporated in Great Britain. The consolidated financial statements of Theratase plc are available to the public and may be obtained from Trafalgar House, 11/12 Waterloo Place, London, SW1Y 4AU.