

**Biozyme Laboratories International Limited**

**Directors' report and financial  
statements**

Registered number 1962503

For the year ended 30 September 2006

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2006.

### 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 5 and show a pre-tax profit for the year of £347,000 (2005: £398,000). The directors are satisfied with the good trading performance of the company during the year.

### Dividends

Dividends of £250,000 (2005: £125,000) have been paid during the year. In accordance with FRS21 'Events after the balance sheet date', dividends are now shown as a movement in equity in the period in which they are paid.

### 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

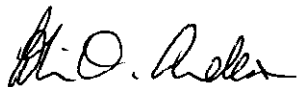
The directors, other than Theratase plc, who held office at the end of the financial year had no beneficial interest in the shares of the company as it is a wholly owned subsidiary of Theratase plc.

Dr 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

11 December 2006

## **Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- *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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 of Biozyme Laboratories International Limited for the year ended 30 September 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

 KPMG Auditor

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

11 December 2006

**Profit and loss account**  
*for the year ended 30 September 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	<b>2005</b> <b>£000</b>
<b>Turnover – continuing operations</b>	<b>2</b>	<b>1,808</b>	<b>1,866</b>
Cost of sales		<b>(1,252)</b>	<b>(1,297)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>556</b>	<b>569</b>
Administrative expenses		<b>(209)</b>	<b>(171)</b>
		<hr/>	<hr/>
<b>Operating profit being the profit on ordinary activities before taxation</b>	<b>3</b>	<b>347</b>	<b>398</b>
Tax on profit on ordinary activities	<b>5</b>	<b>(125)</b>	<b>(143)</b>
		<hr/>	<hr/>
<b>Profit for the financial year</b>	<b>12</b>	<b>222</b>	<b>255</b>
		<hr/>	<hr/>

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 2006*

	<i>Note</i>	<b>2006</b>		<b>2005</b>
		<b>£000</b>	<b>£000</b>	<b>(as restated)</b>
				<b>£000</b>
				<b>£000</b>
<b>Fixed assets</b>				
Tangible assets	6		2	3
<b>Current assets</b>				
Stocks	7	118		89
Debtors	8	370		515
Cash at bank and in hand		35		25
		<u>523</u>		<u>629</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(94)</u>		<u>(172)</u>
<b>Net current assets</b>			<b>429</b>	<b>457</b>
<b>Total assets less current liabilities</b>			<b>431</b>	<b>460</b>
<b>Creditors: amounts falling due after more than one year</b>	10		-	(1)
<b>Net assets</b>			<b>431</b>	<b>459</b>
<b>Capital and reserves</b>				
Called up share capital	11		1	1
Profit and loss account	12		430	458
<b>Equity shareholders' funds</b>			<b>431</b>	<b>459</b>

These financial statements were approved by the board of directors on 11 December 2006 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 2006*

	2006 £000	2005 £000
Opening shareholder funds as previously reported	209	204
Prior year adjustment:		
Dividends paid restatement	250	125
<b>Restated opening shareholder funds</b>	<b>459</b>	<b>329</b>
Profit for the financial year	222	255
Dividends paid	(250)	(125)
<b>Shareholders' funds at 30 September 2006</b>	<b>431</b>	<b>459</b>

## 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.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date'
- FRS 28 'Corresponding amounts'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985. The corresponding amounts in these financial statements are restated in accordance with these new policies.

#### ***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.

### ***Dividends***

Following adoption of FRS 21 dividends are now shown as a movement in equity in the period in which they are paid. The comparative period has been restated accordingly.

## **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:

	2006 £000	2005 £000
United States of America	1,808	1,866

## **3 Operating profit**

	2006 £000	2005 £000
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### ***Operating profit is stated after charging***

Depreciation of tangible fixed assets	1	1
Equipment Hire	21	21
Auditor's remuneration	12	11
Exchange differences	27	5

## **4 Staff numbers and costs**

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

	Number of employees	
	2006	2005
Sales and marketing	2	2
	2	2

The aggregate payroll costs were as follows:

	£000	£000
Wages and salaries	79	83
Other social security costs	5	6
Pension costs	3	7
	<u>87</u>	<u>96</u>

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

## 5 Tax on profit on ordinary activities

	2006 £000	2005 £000
<i>UK corporation tax</i>		
Current tax on income for period	145	155
Adjustment in respect of prior years	(20)	(12)
	<u>125</u>	<u>143</u>

### Factors affecting the tax charge for the current period

The current tax charge is higher (2005: higher) than the standard rate of corporation tax in the UK of 30% (2005: 30%). The difference is explained below:

	2006 £000	2005 £000
<i>Current tax reconciliations</i>		
Profit on ordinary activities before tax	347	398
	<u>104</u>	<u>119</u>
Current tax at UK rate of 30% (2005: 30%)		
<i>Effects of:</i>		
Higher US tax rate of 34% (2005: 34%)	31	23
Expenses not deductible for tax purposes	8	11
Capital allowances less than depreciation	-	-
Adjustment to tax charge in respect of prior periods	(20)	(12)
Other timing differences	2	2
	<u>125</u>	<u>143</u>
Total current tax charge		

## Notes (continued)

### 6 Tangible assets

	Computer equipment	Fixtures, fittings and office equipment	Total
	£000	£000	£000
<b>Cost</b>			
At beginning of year	9	14	23
Exchange difference	-	(1)	(1)
Disposals	(7)	-	(7)
	<hr/>	<hr/>	<hr/>
At end of year	2	13	15
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	9	11	20
Exchange difference	-	(1)	(1)
Charge for the year	-	1	1
Disposals	(7)	-	(7)
	<hr/>	<hr/>	<hr/>
At end of year	2	11	13
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 September 2006	-	2	2
	<hr/>	<hr/>	<hr/>
At 30 September 2005	-	3	3
	<hr/>	<hr/>	<hr/>

### 7 Stocks

	2006 £000	2005 £000
Finished goods	118	89
	<hr/>	<hr/>

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

### 8 Debtors

	2006 £000	2005 £000
Trade debtors	193	207
Amount owed by group undertakings	171	301
Prepayments and accrued income	6	7
	<hr/>	<hr/>
	370	515
	<hr/>	<hr/>

**Notes (continued)**

**9 Creditors: amounts falling due within one year**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Obligations under hire purchase contracts	1	1
Corporation tax	70	127
Accruals and deferred income	23	35
Other creditors	-	9
	<u>94</u>	<u>172</u>

**10 Creditors: amounts falling due after more than one year**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Obligations under hire purchase contracts	-	1
	<u>-</u>	<u>1</u>

**11 Called up share capital**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
<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**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
<b>At beginning of year</b>		
As previously reported	208	203
Dividends paid restatement	250	125
	<u>458</u>	<u>328</u>
<b>As restated</b>		
Profit for the financial year	222	255
Dividends paid	(250)	(125)
	<u>430</u>	<u>458</u>
<b>At end of year</b>		

### 13 Dividends

	2006 £000	2005 £000
Dividends paid	250	125

### 14 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 (2005: £Nil).

### 15 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	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Expiry date:				
Less than one year	1	2	16	20
Between one and two years	-	2	-	17
Between two and five years	-	5	-	-
	<u>1</u>	<u>9</u>	<u>16</u>	<u>37</u>

### 16 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 2006, the potential liability under this arrangement amounted to £1,643,000 (2005: £2,571,000).

### 17 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.