

DiaSorin Limited

Report and Accounts

31 December 1998

Reg. No. 1993990



DiaSorin Limited

DIRECTORS' REPORT

DIRECTORS

M Nicholas
O Crivelli (resigned 31 July 1998)
P L Duchene
A Falaguerra (appointed 31 July 1998)

SECRETARY

S Barrett

AUDITORS

Ernst & Young
Apex Plaza
Reading
RG1 1YE

BANKERS

National Westminster Bank plc
4th Floor Abbey House
282 Farnborough Road
Farnborough
Hants
GU14 7YT

SOLICITORS

Barrett & Co Solicitors
Salisbury House
54 Queens Road
Reading
Berks
RG1 4AZ

REGISTERED OFFICE

Salisbury House
54 Queens Road
Reading
Berks
RG1 4AZ

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The company continued to provide diagnostic kits and reagent to the biomedical industry.

RESULTS FOR THE YEAR AND BUSINESS REVIEW

The directors are satisfied with the trading performance of the company in an increasingly competitive market. The directors will continue to look for opportunities for growth and are optimistic that the company will consolidate its position in the market.

The results for the year are shown on page 6.

DIVIDEND

The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were:

M Nicholas	
O Crivelli	(resigned 31 July 1998)
P L Duchene	
A Falaguerra	(appointed 31 July 1998)

There are no directors' interests requiring disclosure under the Companies Act 1985.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event there is a failure by other parties to remedy their own Year 2000 issues.

A company-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

DiaSorin Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts 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 accounts 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 for the re-appointment of Ernst & Young as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

SPECIAL PROVISIONS RELATING TO SMALL COMPANIES.

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

On behalf of the board

Meg Nicholson

Director

22/10/99

date

**REPORT OF THE AUDITORS
to the members of DiaSorin Limited**

We have audited the accounts on pages 6 to 13, which have been prepared under the historical cost convention and on the basis of 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 the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company 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.

Ernst & Young

Registered Auditor
Reading

Date: *29 October 1999*

DiaSorin Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1998

	Notes	1998 £	1997 £
TURNOVER	2	1,707,838	1,615,909
Cost of sales		(873,792)	(832,075)
GROSS PROFIT		834,046	783,834
Distribution costs		420,031	401,015
Administrative expenses		408,558	430,430
		5,457	(47,611)
Other operating income		59,887	31,849
OPERATING PROFIT/(LOSS)	3	65,344	(15,762)
Other interest receivable and similar income		14,556	4,523
Interest payable and similar charges	5	(69)	(301)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		79,831	(11,540)
Tax on profit/(loss) on ordinary activities	6	(32,719)	(6,013)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		47,112	(17,553)

STATEMENT OF TOTAL OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses in the period other than the profit of £47,112 (1997: Loss - £17,553).

DiaSorin Limited

BALANCE SHEET as at 31 December 1998

	Notes	£ 1998	£ 1997
FIXED ASSETS			
Tangible assets	7	40,719	87,920
CURRENT ASSETS			
Stocks	8	19,883	24,774
Debtors	9	515,918	343,962
Cash at bank and in hand		107,897	108,868
		<u>643,698</u>	<u>477,604</u>
CREDITORS			
Amounts falling due within one year	10	(303,189)	(231,408)
NET CURRENT ASSETS		<u>340,509</u>	<u>246,196</u>
TOTAL NET ASSETS LESS CURRENT LIABILITIES		<u>381,228</u>	<u>334,116</u>
CAPITAL AND RESERVES			
Called up share capital	11	500	500
Profit and loss account		380,728	333,616
SHAREHOLDERS' FUNDS (ALL EQUITY INTERESTS)	12	<u>381,228</u>	<u>334,116</u>

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act, 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

Meg N.ia

22/10/99.

Date

Director

NOTES TO THE ACCOUNTS
for the year ended 31 December 1998

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

The company is exempt from preparing a cash flow statement due to its status as a small company as defined by the Companies Act 1985.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment -	20% per annum
Plant and equipment -	20% per annum
Fixtures and fittings -	20% per annum
Laboratory equipment -	30-33% per annum

Stocks

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

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

The company contributes to the private pension schemes of employees. Costs are written off to the profit and loss account in the year in which they are paid.

DiaSorin Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 1998

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. 4.8% of turnover is attributable to geographical markets outside the United Kingdom.

3. OPERATING PROFIT

This is stated after charging/(crediting):

	1998 £	1997 £
Auditors' remuneration	7,000	6,000
Depreciation and other amounts written off tangible fixed assets:		
- Owned	40,710	66,502
- Leased	-	1,666
Operating lease rentals in respect of motor vehicles	48,464	43,296
Operating lease rentals in respect of office equipment	886	1,772
Directors' remuneration	60,000	59,400
Exchange (gain)/loss	(20,547)	(16,976)
Loss/(Profit) on disposal of tangible fixed assets	2,235	(9,100)

4. STAFF COSTS

	1998 £	1997 £
Wages and salaries	309,461	296,310
Social security costs	40,811	33,597
Other pension costs	39,787	31,967
	390,059	361,874

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

	1998 No	1997 No
Office and management	7	7
Sales	5	5
	12	12

DiaSorin Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 1998

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
On bank loans, overdrafts and other loans wholly repayable within five years	69	147
Finance charges payable in respect of finance leases and hire purchase contracts	-	154
	<u>69</u>	<u>301</u>

6. TAXATION

	1998 £	1997 £
UK corporation tax at 31	(32,202)	(6,100)
(Under)/Over provision in prior year	(517)	87
	<u>(32,719)</u>	<u>(6,013)</u>

7. TANGIBLE FIXED ASSETS

	Computer equipment £	Plant and equipment £	Fixtures and fittings £	Laboratory equipment £	Total £
<i>Cost</i>					
At 1 January 1998	71,853	22,851	39,953	276,847	411,504
Additions	12,552	-	-	-	12,552
Disposals	-	-	-	(38,557)	(38,557)
	<u>84,405</u>	<u>22,851</u>	<u>39,953</u>	<u>238,290</u>	<u>385,499</u>
At 31 December 1998	84,405	22,851	39,953	238,290	385,499
<i>Depreciation</i>					
At 1 January 1998	50,623	14,751	38,270	219,940	323,584
Charge for year	8,351	3,073	610	28,676	40,710
Disposals	-	-	-	(19,514)	(19,514)
	<u>58,974</u>	<u>17,824</u>	<u>38,880</u>	<u>229,102</u>	<u>344,780</u>
At 31 December 1998	58,974	17,824	38,880	229,102	344,780
<i>Net book value</i>					
At 31 December 1998	<u>25,431</u>	<u>5,027</u>	<u>1,073</u>	<u>9,188</u>	<u>40,719</u>
At 1 January 1998	<u>21,230</u>	<u>8,100</u>	<u>1,683</u>	<u>56,907</u>	<u>87,920</u>

DiaSorin Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 1998

8. STOCKS

	1998 £	1997 £
Finished goods and goods for resale	19,883	24,774

9. DEBTORS

	1998 £	1997 £
Trade debtors	197,514	233,842
Amounts owed by group undertakings	299,230	90,517
Prepayments and accrued income	19,174	19,603
	515,918	343,962

All the above debtors are due within one year.

10. CREDITORS: amounts falling due within one year

	1998 £	1997 £
Trade creditors	64,960	35,805
Amounts owed to group undertakings	102,800	105,891
Corporation tax	32,198	6,100
Other taxes and social security costs	39,421	37,884
Accruals and deferred income	63,810	45,728
	303,189	231,408

11. CALLED UP SHARE CAPITAL

	1998 & 1997 No	1998 & 1997 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	500	500

DiaSorin Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 1998

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Shareholders' funds at the beginning of the year	334,116	351,669
Profit/(loss) for the year	47,112	(17,553)
Shareholders' funds at the end of the year	<u>381,228</u>	<u>334,116</u>

13. CONTINGENT LIABILITIES

As at 31 December 1998 there are guarantees totalling £20,000 (1997: £20,000) made to HM Customs and Excise in connection with deferment sums.

14. COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	1998 <i>Motor vehicles and plant and machinery</i> £	<i>Land and buildings</i> £	1997 <i>Motor vehicles and plant and machinery</i> £	<i>Land and buildings</i> £
Operating leases which expire:				
Within one year	8,883	-	1,248	-
Within two years to five years	31,369	9,550	40,331	-
Over five years	-	28,000	-	28,000
	<u>40,252</u>	<u>37,550</u>	<u>41,579</u>	<u>28,000</u>

15. PENSIONS

The company contributes to the private pension schemes of employees. During the period contributions payable amounted to £26,860 (1997: £22,644). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption from the requirement to disclose transactions with other group companies conferred by FRS8 on the grounds that over 90% of the voting rights of the company are controlled within the group to which the company belongs, and the accounts of which are publicly available.

DiaSorin Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 1998

17. ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of DiaSorin Corp incorporated in the United States of America.

The largest group in which the results of the company are consolidated is that headed by American Standard Inc incorporated in the United States of America. The smallest group in which they are consolidated is that headed by *DiaSorin Corporation incorporated in the United States of America.*

The consolidated accounts of DiaSorin Corporation are available to the public and may be obtained from 1991 Industrial Boulevard, PO Box 285, Stillwater, Minnesota, 55082-0285, United States of America.