



ANDERSEN

Kinetic Imaging Limited

Report and accounts for the 7 month period
ended 31 December 2000

Registered number: 2254437



Directors' report

For the 7 month period ended 31 December 2000

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the 7 month period ended 31 December 2000.

Results and dividends

The audited accounts for the 7 months ended 31 December 2000 are set out on pages 5 to 15. The profit for the period after taxation was £36,835 (prior year - £53,310).

On 14 August 2000, the company was acquired by Medical Solutions plc for consideration of £550,000 in cash.

The directors do not recommend payment of an ordinary dividend (prior year - £nil).

Principal activities

The principal activity of the company is the provision of computerised systems and equipment together with consultancy services for medical research.

Change of accounting date

As a result of the acquisition of the company on 14 August 2000 by Medical Solutions plc, the company's accounting date was changed from 31 May to 31 December in line with group policy. The company informed Companies House of this change on 18 September 2000.

Research and development

The 'development costs' intangible asset represents costs incurred in relation to the further development of a computer software packages for the management of visual images.

Directors and their interests

The directors who served during the year were as follows:

Mr C. Green	Chairman (appointed 20 September 2000)
Mr A.D. Longstaffe	Company secretary (appointed 20 September 2000)
Dr M.A. Browne	
Dr C.V. Howard	(resigned 14 August 2000)
Dr R.H. Adams	(appointed 20 September 2000)

The directors' beneficial interests in the shares of the company was as stated below:

	Ordinary shares of £1 each	
	31 December 2000 Number	31 May 2000 Number
Dr. M.A. Browne	-	1,248
Dr. C.W. Howard	-	624

Directors' report (continued)

Directors and their interests (continued)

Preference shares of £1 each	
31 December 2000 Number	31 May 2000 Number
Dr. M.A. Browne	- 11,323
Dr. C.W. Howard	- 8,363
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Supplier payment policy

The company is committed to obtaining the best terms for all types of business. Consequently, there is no single policy as to the terms used. It is in the company's policy to abide by its agreed terms of business provided the supplier meets its obligations. The number of days purchases represented by company trade creditors at 31 December was 133 days (31 May 2000 - 96 days).

Auditors

As a result of the acquisition of Kinetic Imaging Limited by Medical Solutions plc, the company's previous auditors Cowgill Holloway were replaced by Arthur Andersen.

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing period.

By order of the Board,



Dr M.A. Browne
Director

18 October 2001

Directors' responsibilities

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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 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.

To the Shareholders of Kinetic Imaging Limited:

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts 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.

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 circumstances of the company, 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 at 31 December 2000 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

18 October 2001

Profit and loss account

For the 7 month period ended 31 December 2000

	Notes	7 months to 31 December 2000 £	Year ended 31 May 2000 £
Turnover	2	342,076	633,869
Cost of sales		(176,210)	(267,714)
Gross profit		165,866	366,155
Operating expenses		(128,003)	(296,263)
Operating profit		37,863	69,892
Finance charges	3	(1,028)	(1,566)
Profit on ordinary activities before taxation	4	36,835	68,326
Tax on profit on ordinary activities	7	-	(15,016)
Profit on ordinary activities after taxation	17	36,835	53,310

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains or losses in either period other than the profit for that period.

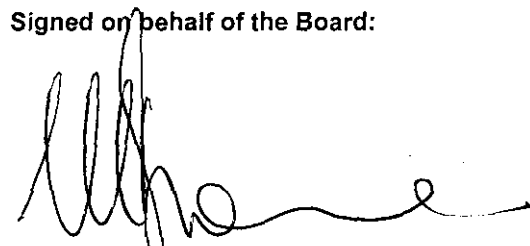
The accompanying notes are an integral part of this profit and loss account.

Balance sheet
31 December 2000

	Notes	31 December 2000 £	31 May 2000 £
Fixed assets			
Intangible assets	8	142,311	41,336
Tangible assets	9	30,111	31,356
		<u>172,422</u>	<u>72,692</u>
Current assets			
Stocks	10	86,228	73,006
Debtors	11	151,815	202,252
Cash at bank and in hand		24,036	9,939
		<u>262,079</u>	<u>285,197</u>
Creditors: Amounts falling due within one year	12	<u>(191,306)</u>	<u>(143,395)</u>
Net current assets		<u>70,773</u>	<u>141,802</u>
Total assets less current liabilities		<u>243,195</u>	<u>214,494</u>
Creditors: Amounts falling due after more than one year	13	<u>(7,427)</u>	<u>(15,561)</u>
Net assets		<u>235,768</u>	<u>198,933</u>
Capital and reserves			
Called-up share capital	15	153,678	153,678
Profit and loss account	16	82,090	45,255
Shareholders' funds	17	<u>235,768</u>	<u>198,933</u>

The accounts on pages 5 and 6 were approved by the board of directors on 18 October 2001 and signed on its behalf by:

Signed on behalf of the Board:



Dr M.A. Browne
Director

18 October 2001

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 December 2000

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding year.

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

a) *Turnover*

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

b) *Research and development*

Development costs are written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised from the point of sale of the product over the period during which the group is expected to benefit, which is five years.

Development costs on projects in progress are not amortised. Provision is made for any impairment.

c) *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	-	20% reducing balance
Office fixtures and fittings	-	20% straight line
Motor vehicles	-	25% reducing balance

d) *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes material, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

e) *Deferred taxation*

Deferred taxation is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is possible that a liability or asset will crystallise.

f) *Leasing and hire purchase commitments*

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

g) *Investments*

Fixed asset investments are stated at cost less provision for diminution in value.

Notes to accounts (continued)

1 Accounting policies (continued)

h) Cash flow statement

In accordance with Financial Reporting Standard No 1 (revised 1996), no cash flow statement has been presented on the basis that the company is a wholly owned subsidiary of Medical Solutions plc in whose financial statements the company is consolidated and which are publicly available (see note 21).

g) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. All exchange differences are included in the profit and loss account.

2 Turnover

An analysis of turnover by geographical market is given below:

	7 months to 31 December 2000 £'000	Year ended 31 May 2000 £'000
United Kingdom and Republic of Ireland	284,050	443,708
Europe	26,151	146,779
Rest of World	31,875	43,382
	<u>342,076</u>	<u>633,869</u>

3 Finance charges

	7 months to 31 December 2000 £	Year ended 31 May 2000 £
Bank loans and overdrafts	-	3
Hire purchase and finance lease interest	1,028	1,563
	<u>1,028</u>	<u>1,566</u>

Notes to accounts (continued)

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	7 months to 31 December 2000 £	Year ended 31 May 2000 £
Amortisation of intangible assets	31,954	70,719
Loss on disposal of tangible assets	-	2,817
Depreciation of tangible assets		
- owned	2,498	3,909
- held under finance lease	1,980	6,337
Operating lease rentals		
- plant and machinery	1,975	-
- land and buildings	14,689	11,553
Auditors' remuneration	5,000	3,000
	<hr/>	<hr/>

5 Staff costs

The average monthly number of employees (including executive directors) during the period was:

	7 months to 31 December 2000 Number	Year ended 31 May 2000 Number
Management	1	1
Research and development	5	3
Production	2	2
Sales and marketing	2	1
Administration and finance	1	1
	<hr/>	<hr/>
	11	8
	<hr/>	<hr/>

Their aggregate remuneration comprised:

	7 months to 31 December 2000 £	Year ended 31 May 2000 £
Wages and salaries	132,786	148,344
Social security costs	10,356	13,399
	<hr/>	<hr/>
	143,142	161,743
Less amounts capitalised to development costs	(63,877)	(34,899)
	<hr/>	<hr/>
	79,265	126,844
	<hr/>	<hr/>

Notes to accounts (continued)

6 Directors' remuneration

	7 months to 31 December 2000 £	Year ended 31 May 2000 £
Emoluments	<u>40,551</u>	<u>44,255</u>

7 Tax on profit on ordinary activities

	7 months to 31 December 2000 £	Year ended 31 May 2000 £
The taxation charge comprises:		
UK corporation tax at 30% (prior year - 20%)	<u>-</u>	<u>15,016</u>

8 Intangible fixed assets

	Development costs £
Cost	
At 31 May 2000	298,743
Additions	<u>132,929</u>
At 31 December 2000	<u>431,672</u>
Amortisation	
At 31 May 2000	257,407
Charge for period	<u>31,954</u>
At 31 December 2000	<u>289,361</u>
Net book value	
At 31 December 2000	<u>142,311</u>
At 31 May 2000	<u>41,336</u>

Notes to accounts (continued)

9 Tangible fixed assets

	Computer equipment £	Office fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 31 May 2000	47,944	14,317	25,346	87,607
Additions	678	2,555	-	3,233
At 30 December 1999	48,622	16,872	25,346	90,840
Depreciation				
At 31 May 2000	38,261	11,653	6,337	56,251
Charge for period	1,084	1,414	1,980	4,478
At 31 December 2000	39,345	13,067	8,317	60,729
Net book value				
At 31 December 2000	9,277	3,805	17,029	30,111
At 31 May 2000	9,683	2,664	19,009	31,356

The net book value of tangible fixed assets includes £17,029 (31 May 2000 - £19,009) in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £1,980 (31 May 2000 - £6,337) for the period.

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

10 Stocks

	31 December 2000 £	31 May 2000 £
Raw materials	4,314	3,652
Work in progress	25,886	21,917
Finished goods and goods for resale	56,028	47,437
	<u>86,228</u>	<u>73,006</u>

Notes to accounts (continued)

11 Debtors

	31 December 2000 £	31 May 2000 £
Trade debtors	135,419	191,163
Other debtors	600	1,708
Other taxation and social security	15,796	9,381
	<u>151,815</u>	<u>202,252</u>

12 Creditors: amounts falling due within one year

	31 December 2000 £	31 May 2000 £
Bank loans (secured)	-	6,000
Net obligations under finance lease and hire purchase contracts (secured)	12,276	4,639
Trade creditors	135,725	92,173
Corporation tax	6,253	14,700
Other taxes and social security costs	15,258	8,208
Directors current account	2,873	2,873
Other creditors	1,037	5,731
Accruals and deferred income	17,884	9,071
	<u>191,306</u>	<u>143,395</u>

13 Creditors: amounts falling due after more than one year

	31 December 2000 £	31 May 2000 £
Bank loans (secured)	7,427	5,000
Net obligations under finance leases and hire purchase agreements (secured)	-	10,561
	<u>7,427</u>	<u>15,561</u>

Net obligations under finance leases and hire purchase contracts are repayable as follows:

Within one year	12,276	4,639
Between two and five years	-	10,561
	<u>12,276</u>	<u>15,200</u>

Notes to accounts (continued)

13 Creditors: amounts falling due after more than one year (continued)

Borrowings are repayable as follows:

	31 December 2000 £	31 May 2000 £
Up to one year and on demand	12,276	6,000
Between one and two years	7,427	5,000
	<hr/> 19,703	<hr/> 11,000
Wholly repayable within five years	<hr/> 19,703	<hr/> 11,000
Included in current liabilities	<hr/> 12,276	<hr/> 6,000

14 Derivatives and other financial instruments

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 *Derivatives and Other Financial Instruments: Disclosures (FRS 13)*. Certain financial assets such as investments in subsidiary and associated companies are excluded from the scope of these disclosures.

As permitted by FRS 13, short-term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

Liquidity

The company's overall objective is to ensure that it is, at all times, able to meet its financial commitments as and when they fall due.

Interest rate profile

The company's exposure to interest rate fluctuations is managed by fixing interest rates in the short to medium term on borrowings. The interest rate profiles on cash and borrowings are shown below. The fair value of financial assets and liabilities is not materially different from their carrying values.

Cash

The balance of £24,036 is deposited in non-interest bearing current accounts.

Currency exposure

Where possible the company invoices in sterling to mitigate currency exposure. In situations where invoices are raised in other currencies, the company seeks to minimise its risk by its pricing policy.

Notes to accounts (continued)

15 Share capital

	31 December 2000 £	31 May 2000 £
<i>Authorised</i>		
155,000 ordinary shares of £1 each	155,000	155,000
150,000 redeemable preference shares of £1 each	150,000	150,000
	<u>305,000</u>	<u>305,000</u>
<i>Allotted, called-up and fully paid</i>		
3,744 ordinary shares of £1 each	3,744	3,744
149,934 preference shares of £1 each	149,934	149,934
	<u>153,678</u>	<u>153,678</u>

The preference shares are redeemable convertible preference shares where the company has the right to redeem these shares at par on or after 30 April 1995, and the shareholders can from 30 April 1999 require redemption at par. The preference shareholders do not carry any right to participate in profits nor on winding up participate in assets, when they are converted to ordinary shares. Preference shareholders do not have the right to attend or vote at general meetings when the shares are converted. Conversion is on a one for one basis into £1 ordinary shares, and requires an extraordinary resolution.

16 Statement of movements on reserves

	£
Accumulated profit at 31 May 2000	45,255
Profit for the year	36,835
Retained profit at 31 December 2000	<u>82,090</u>

17 Reconciliation of movements in shareholders' funds

	31 December 2000 £	31 May 2000 £
Profit for the year	36,835	53,310
Opening shareholders' funds	198,933	145,623
Closing shareholders' funds	<u>235,768</u>	<u>198,933</u>

Notes to accounts (continued)

18 Financial commitments

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

	31 December 2000 Land and buildings £	31 May 2000 Land and buildings £
Expiry date		
- within one year	-	-
- between two and five years	16,922	15,694
	<u>16,922</u>	<u>15,694</u>

19 Contingent liability

There were no contingent liabilities at 31 December 2000 (prior year - £Nil).

20 Related party transactions

There were no related party transactions in the period.

As a subsidiary undertaking of Medical Solutions plc, the company has taken advantage of the exemption in FRS 8 "Related party transactions" from disclosing transactions with other members of the group headed by Medical Solutions plc.

21 Ultimate controlling party

The directors regard Medical Solutions plc, a company incorporated in the United Kingdom, as the ultimate parent company and the ultimate controlling party.

Medical Solutions plc is the parent company of the largest and smallest group of which the company is a member and for which group accounts are drawn up. Copies of the accounts are available from Lotherton Way, Garforth, Leeds LS25 2JY.