

# **THE AEROGEN COMPANY LIMITED**

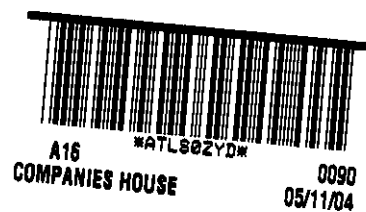
**FINANCIAL STATEMENTS**

**31 DECEMBER 2003**

**COMPANY REGISTRATION NUMBER - 2282511**



**menzies | chartered accountants**



# THE AEROGEN COMPANY LIMITED

## FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

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# THE AEROGEN COMPANY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

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**THE BOARD OF DIRECTORS**

M Brueckner

**COMPANY SECRETARY**

Humphries Kirk Nominees Limited

**REGISTERED OFFICE**

17 Newman Lane  
Alton  
Hampshire  
GU34 2QR

**AUDITORS**

Menzies  
Chartered Accountants  
& Registered Auditors  
Longbridge House  
3 Downing Street  
Farnham  
Surrey  
GU9 7PA

**BANKERS**

National Westminster Plc  
105 High Street  
Winchester  
Hampshire  
SO23 9AW

# THE AEROGEN COMPANY LIMITED

## THE DIRECTOR'S REPORT

YEAR ENDED 31 DECEMBER 2003

The director has pleasure in presenting his report and the financial statements of the company for the year ended 31 December 2003.

### PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of the design, manufacture and supply of gas flame systems for the manufacturing industry.

### THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

		Ordinary Shares of £1 each	
		At	At
		31 December 2003	1 January 2003 or later date of appointment
M Brueckner	(Appointed 6 January 2003)	140,000	140,000
B Koch	(Retired 30 May 2003)		

### THE INTRODUCTION OF THE EURO

The directors have reviewed the potential impact associated with the introduction of the Euro, but consider that there should be no adverse effect upon the company or its business.

### DIRECTOR'S 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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 6 to 7, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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

A resolution to re-appoint Menzies as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

### SMALL COMPANY PROVISIONS

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

Registered office:  
17 Newman Lane  
Alton  
Hampshire  
GU34 2QR

Signed by



M Brueckner

Approved by the director on .....

31st October 2004

# THE AEROGEN COMPANY LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF THE AEROGEN COMPANY LIMITED

YEAR ENDED 31 DECEMBER 2003

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We have audited the financial statements on pages 4 to 10 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out on pages 6 to 7.

This report is made solely to the company's shareholder, 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 shareholder those matters we are required to state to them in an auditors' 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Director's Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Director's 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 director's remuneration and transactions with the company is not disclosed.

We read the Director's 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 United Kingdom 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.

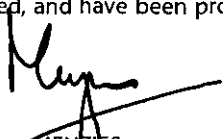
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Longbridge House  
3 Downing Street  
Farnham  
Surrey  
GU9 7PA

3 November 2004

  
MENZIES  
Chartered Accountants  
& Registered Auditors

# THE AEROGEN COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2003

	Note	2003 £	2002 £
<b>TURNOVER</b>		1,181,121	866,378
Cost of sales		544,627	455,127
<b>GROSS PROFIT</b>		636,494	411,251
Administrative expenses		652,492	842,978
Other operating income	2	(4,030)	(6,054)
<b>OPERATING PROFIT/(LOSS)</b>	3	(11,968)	(425,673)
Loss on disposal of fixed assets		(11,437)	-
Exceptional income		173,988	357,534
Cost of restructuring the company		(30,693)	-
		119,890	(68,139)
Interest receivable		1,486	589
Amounts written off investments	5	-	(22,525)
Interest payable		(1,822)	(3,896)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		119,554	(93,971)
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		119,554	(93,971)

The notes on pages 6 to 10 form part of these financial statements.

# THE AEROGEN COMPANY LIMITED

## BALANCE SHEET

31 DECEMBER 2003

	Note	2003 £	2002 £
<b>FIXED ASSETS</b>			
Intangible assets	6	5,000	25,131
Tangible assets	7	14,501	36,804
Investments	8	-	-
		<u>19,501</u>	<u>61,935</u>
<b>CURRENT ASSETS</b>			
Stocks		92,199	67,861
Debtors	9	238,355	230,473
Cash at bank and in hand		19,893	51,791
		<u>350,447</u>	<u>350,125</u>
<b>CREDITORS: Amounts falling due within one year</b>	10	<u>228,213</u>	<u>374,542</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>122,234</u>	<u>(24,417)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>141,735</u>	<u>37,518</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	11	<u>-</u>	<u>15,337</u>
		<u>141,735</u>	<u>22,181</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	14	140,000	140,000
Profit and loss account	15	1,735	(117,819)
<b>SHAREHOLDER'S FUNDS</b>		<u>141,735</u>	<u>22,181</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved and signed by the director on 31st October 2004

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M Brueckner



# THE AEROGEN COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

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### 1. ACCOUNTING POLICIES

#### Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

#### Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

#### Intangible assets

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Development costs - over 10 years

#### Fixed assets

All fixed assets are initially recorded at cost.

#### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	-	15% to 20% reducing balance
Fixtures & Fittings	-	15% reducing balance
Motor Vehicles	-	25% reducing balance
Computer equipment	-	50% straight line

#### Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

#### Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

#### Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

#### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.



# THE AEROGEN COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

### 1. ACCOUNTING POLICIES *(continued)*

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

### 2. OTHER OPERATING INCOME

	2003 £	2002 £
Other operating income	4,030	6,054

### 3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	2003 £	2002 £
Director's emoluments	30,575	73,567
Director's pension contributions	-	9,083
Staff pension contributions	7,374	23,627
Amortisation	4,355	4,355
Depreciation of owned fixed assets	10,847	10,505
Depreciation of assets held under hire purchase agreements	-	5,335
Loss on disposal of fixed assets	2,281	-
Auditors' fees	4,400	-
Net profit on foreign currency translation	(1,245)	(1,004)

### 4. EXCEPTIONAL ITEMS

During the year the director wrote off £173,988 of loan balances due to him from the company (2002 £357,534). This is shown separately on the face of the profit and loss account as exceptional income.

The following exceptional costs were also reported during the year:

	£
Redundancy costs	7,000
Write down of patents	15,776
Write off of old debt factored balances	14,917

The write downs are considered by the director to be restructuring costs which relate to the trading period prior to the company's restructure in the year ended 31 December 2001. The director therefore considers that these costs should be highlighted separately on the profit and loss account from the usual running costs of the company.

### 5. LOSS ON DISPOSAL OF INVESTMENTS

	2003 £	2002 £
Amount written off subsidiary - permanent diminution in value	-	22,525

# THE AEROGEN COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

### 6. INTANGIBLE FIXED ASSETS

	Patent £
<b>COST</b>	
At 1 January 2003	43,555
Fully written off	(15,776)
<b>At 31 December 2003</b>	<b>27,779</b>
<b>AMORTISATION</b>	
At 1 January 2003	18,424
Charge for the year	4,355
<b>At 31 December 2003</b>	<b>22,779</b>
<b>NET BOOK VALUE</b>	
<b>At 31 December 2003</b>	<b>5,000</b>
At 31 December 2002	25,131

### 7. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Equipment £	Total £
<b>COST</b>					
At 1 January 2003	27,990	81,992	28,616	-	138,598
Additions	3,468	697	-	2,076	6,241
Disposals	(21,673)	(78,731)	(14,308)	-	(114,712)
<b>At 31 December 2003</b>	<b>9,785</b>	<b>3,958</b>	<b>14,308</b>	<b>2,076</b>	<b>30,127</b>
<b>DEPRECIATION</b>					
At 1 January 2003	20,230	69,045	12,519	-	101,794
Charge for the year	1,511	2,047	7,029	260	10,847
On disposals	(18,442)	(70,525)	(8,048)	-	(97,015)
<b>At 31 December 2003</b>	<b>3,299</b>	<b>567</b>	<b>11,500</b>	<b>260</b>	<b>15,626</b>
<b>NET BOOK VALUE</b>					
<b>At 31 December 2003</b>	<b>6,486</b>	<b>3,391</b>	<b>2,808</b>	<b>1,816</b>	<b>14,501</b>
At 31 December 2002	7,760	12,947	16,097	-	36,804

#### Hire purchase agreements

Included within the net book value of £14,501 is £Nil (2002 - £10,002) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £Nil (2002 - £5,335).

# THE AEROGEN COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

### 8. INVESTMENTS

	Investment subsidiary undertaking £
<b>COST</b>	
At 1 January 2003	78,218
Disposals	(78,218)
At 31 December 2003	-
<b>AMOUNTS WRITTEN OFF</b>	
At 1 January 2003	78,218
Written off in prior years written back	(78,218)
At 31 December 2003	-
<b>NET BOOK VALUE</b>	
At 31 December 2003	-

The company's subsidiary undertaking amounted of a 100% shareholding in Aerogen USA Incorporated. On 30 October 2002, the subsidiary Aerogen Company USA Inc. was formally dissolved in the US State of Michigan, and surrendered its authority to do business in the State of Carolina on the 1 April 2003.

### 9. DEBTORS

	2003 £	2002 £
Trade debtors	131,431	109,801
Amounts owed by undertakings in which the company has a participating interest	-	6,932
Corporation tax repayable	-	1,656
Other debtors	106,924	112,084
	<u>238,355</u>	<u>230,473</u>

### 10. CREDITORS: Amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	9,444	-
Trade creditors	97,404	96,120
Other creditors including taxation and social security: PAYE and social security	19,548	4,027
Hire purchase agreements	-	6,006
Directors current accounts	44,753	95,986
Other creditors	37,304	98,646
Accruals and deferred income	19,760	73,757
	<u>228,213</u>	<u>374,542</u>

### 11. CREDITORS: Amounts falling due after more than one year

	2003 £	2002 £
Hire purchase agreements	-	10,002
Other creditors	-	5,335
	<u>-</u>	<u>15,337</u>

# THE AEROGEN COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

### 12. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2003 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2003 £	2002 £
Operating leases which expire:		
Within 1 year	-	50,000
Within 2 to 5 years	2,897	18,000
After more than 5 years	36,750	36,750
	<u>39,647</u>	<u>104,750</u>

### 13. RELATED PARTY TRANSACTIONS

At 31 December 2003 the balance outstanding to M Brueckner the company's director and shareholder was £44,753 (2002 - £95,985). During the year loans of £127,000 were advanced to the company by M Brueckner, repayments of £4,244 were made by way of personal expenses and a balance of £173,988 was written off (2002 £357,534). No interest has been charged on these loans.

### 14. SHARE CAPITAL

Authorised share capital:

	2003 £	2002 £
140,000 Ordinary shares of £1 each	<u>140,000</u>	<u>140,000</u>

Allotted, called up and fully paid:

	2003 No	£	2002 No	£
Ordinary shares of £1 each	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>

### 15. PROFIT AND LOSS ACCOUNT

	2003 £	2002 £
Balance brought forward	(117,819)	(23,848)
Retained profit/(accumulated loss) for the financial year	<u>119,554</u>	<u>(93,971)</u>
Balance carried forward	<u>1,735</u>	<u>(117,819)</u>

### 16. CONTROLLING PARTY

The company is under the control of M Brueckner the sole director and shareholder.