

Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the sixteen months ended 30 September 1998.

Principal activities

The principal activity of the group is that of providing specialised pharmaceutical consulting and regulatory affairs advice and design, construction and project management services to the pharmaceutical, biotechnology and high technology industries.

Business review

The financial results for the group showed a reduced turnover at £33.2m (1997: £50.4m) and a loss before tax of £162,000 (1997: loss of £327,000). The directors do not recommend the payment of a dividend and the result for the year has been transferred to reserves.

In Autumn 1997, following a strategic review, the directors concluded that the interests of the shareholders, and of the other stakeholders in the business would be best served by seeking to dispose of the trading subsidiaries, and to refocus the business activities of the company. Accordingly, it was determined to release the energy of the various management teams into owning the businesses in which they worked, or if appropriate to seek outside purchasers of the relevant trading entity.

As a result, Total Process Containment Limited was sold to Kynoch Group plc in November 1997; Elstead Properties Limited, Tanshire Limited, Tanvec Limited, Haremead Limited, Pharmaceutical Engineering and Design Limited, WT Integrated Systems Limited, Tanvec Limited (Ireland), Haremead GmbH, and the group's interest in Acidima Tanvec Consultancy Company were sold in July 1998 to Tanvec Group Limited, a management buy-out company formed by the management team of Tanvec Limited for this purpose; MRC Systems Limited was sold in August 1998 to Guidance Limited, a management buy-out company formed by the management team of MRC Systems Limited for this purpose. The group's interest in ICTS (formerly Tanvec SA) was sold in September 1998. The directors have determined to strike off two other subsidiary companies, Tanshire Equipment Limited and Tanvec Pty., both of which have ceased trading activities.

Prior to the disposal of Elstead Properties Limited; the company acquired both the properties, Tanshire Park in Elstead and Southern Hey in Manchester. Southern Hey was subsequently disposed of in November 1998.

The directors are bound, as a condition of the disposals of the trading subsidiaries, to certain restrictive covenants, which preclude the company from competing with its former subsidiaries for a period of time. Therefore, the directors have decided to use this period to reflect on and determine what business activities will be best conducted in the interests of the shareholders, whilst retaining Tanshire Park as a source of investment income for the foreseeable future.

Policy and practice on payment of creditors

The group agrees payments with its suppliers and sub-contractors on an individual basis rather than following a standard code. It seeks to abide by these agreed terms whenever it is satisfied that its suppliers and sub-contractors have provided the goods or services in accordance with the contract terms and conditions.

At the year end, there was 1 day (1996: 36 days) purchases in trade creditors.

Directors and directors' interests

The directors who held office during the financial period had the following interests in the ordinary shares of the company according to the register of directors' interests:

	Interest at end of period	Interest at beginning of period
GS Roberts	3,240,000	3,240,000
BJ Woolsey	3,240,000	3,240,000
DT Smith	1,620,000	1,620,000
IJ Henderson	818,000	818,000
GJ Farquharson	698,000	698,000
BJ Rea-Palmer	-	-

Mr B.J. Rea-Palmer resigned as director and secretary of the company on 9 October 1998 and Mr J.P. Stewart was appointed as secretary with effect from that date.

Mr I.J. Henderson resigned as director of the company on 14 December 1998. It is with great regret that the directors record the sudden death of Ian Henderson on 25 February 1999. Until his resignation, Ian had served as a director of the company continuously since 1981, and his energetic contribution to the development of the company was invaluable. Ian will be sadly missed by his many friends and colleagues.

Directors and directors' interests *(continued)*

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial period. At the commencement of the period, the following directors held options over ordinary shares granted under the Tanshire Holdings PLC 1994 Share Option Scheme, as indicated below, and in each case the option over these shares was exercised and the shares subsequently sold during the period:

	Options held at beginning of period	Options held at end of period
IJ Henderson	84,550	Nil
GJ Farquharson	67,450	Nil
BJ Rea-Palmer	67,450	Nil

Directors' report (*continued*)

Year 2000 – The Millennium Bug

The Directors have considered the potential impact of the year 2000 compliance problem and have conducted a review of the Group's accounting systems and services. The results of the review suggest that millennium compliance will be achieved, as far as it is possible to predict given the inherent risks and uncertainties of the problem.

The potential impact of factors beyond the control of the directors have also been considered however the extent of the impact arising from suppliers and customers experiencing problems is difficult to assess and deal with.

The position will continue to be monitored up to and beyond the Year 2000. The costs of compliance to date and anticipated future costs are not considered material in the context of these financial statements.

Introduction of the Euro

The directors have considered the potential impact upon the Group's business of the introduction of the Euro currency, and do not consider that this will significantly affect the Group's operations.

Auditors

KPMG resigned as auditors on 27 October 1998. In accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of Stewart & Co as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

J.P. Stewart
Secretary

Knoll House
Knoll Road
Camberley
Surrey
GU8 64B

22 April 1999

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 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.

Report of the auditors to the members of Tanshire Holdings PLC

We have audited the financial statements on pages 6 to 28.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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. However, the evidence available to us was limited because we were not auditors of the subsidiary undertakings, which were disposed of during the period, nor did we receive audited financial statements of the subsidiaries. In addition, we did not receive the necessary assurances or information from the subsidiary auditors. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

Except for any adjustments that might have been found to be necessary had we received sufficient audit evidence and assurances in connection with the activities of the subsidiary undertakings, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1998 and of its loss for the sixteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the activities of the subsidiary undertakings, we have had to rely on the information contained in the unaudited management financial statements.

Stewart & Co

Chartered Accountants

Registered Auditors

22 April 1999

Consolidated profit and loss account
for the sixteen months ended 30 September 1998

	<i>Note</i>	1998 £000	£000	1997 £000	£000
Turnover	2,3				
Continuing operations		-		47,692	
		<hr/>		<hr/>	
Discontinued operations		33,196		47,692 2,743	
		<hr/>		<hr/>	
			33,196		50,435
Cost of sales			(22,853)		(38,032)
			<hr/>		<hr/>
Gross profit			10,343		12,403
Other operating income			179		-
Administrative expenses			(11,335)		(11,847)
			<hr/>		<hr/>
Operating (loss)/ profit	2,3				
Continuing operations		-		675	
		<hr/>		<hr/>	
Discontinued operations		(813)		675 (119)	
		<hr/>		<hr/>	
			(813)		556
Profit on sale of a discontinued operation	4		1,701		10
Provision for diminution in value of fixed asset - continuing activities			-		(400)
(Loss) on disposal of fixed assets			(296)		-
Interest receivable and similar income			33		35
Interest payable and similar charges	8		(787)		(528)
			<hr/>		<hr/>
(Loss) on ordinary activities before taxation	2-5		(162)		(327)
Tax on loss on ordinary activities	9		2		(96)
			<hr/>		<hr/>
(Loss) on ordinary activities after taxation			(160)		(423)
Minority interests			-		36
			<hr/>		<hr/>
Retained (Loss) for the financial period			(160)		(387)
			<hr/>		<hr/>

There were no other gains or losses recognised by the group other than those recorded above.

Consolidated balance sheet
at 30 September 1998

	Note	1998 £000	1997 £000
Fixed assets			
Intangible assets	10	-	108
Tangible assets	11	7131	7,227
Investments	12	-	-
			7,335
Current assets			
Stocks	13	6	82
Debtors due after more than one year	14	839	490
Debtors due within one year	15	1,032	10,074
Investment in own shares	16	222	174
Cash at bank and in hand		148	833
		2,247	11,653
Creditors: amounts falling due within one year	17	(1,275)	(12,439)
Net current assets /(liabilities)		972	(786)
Total assets less current liabilities		8,103	6,549
Creditors: amounts falling due after more than one year	18	(4,304)	(4,665)
Provisions for liabilities and charges	19	(156)	-
Net assets		3,643	1,884
Capital and reserves			
Called up share capital	20	1,088	1,088
Share premium account	21	195	195
Revaluation reserve	21	1,231	159
Other reserves	21	192	214
Profit and loss account	21	937	223
Equity Shareholders' funds		3,643	1,879
Minority interest	22	-	5
		3,643	1,884

These financial statements were approved by the board of directors on 22 April 1999 and were signed on its behalf by:

GS Roberts
Director

DT Smith
Director

Company balance sheet

at 30 September 1998

	Note	1998 £000	1997 £000	1997 £000
Fixed assets				
Tangible assets	11	7,131		1,604
Investments	12	-		500
		<u>7131</u>		<u>2,104</u>
Current assets				
Debtors due after more than one year	14	650	220	
Debtors due within one year	15	1,389	328	
Investment in own shares		222	174	
Cash at bank and in hand		132	30	
		<u>2,393</u>	<u>752</u>	
Creditors: amounts falling due within one year	17	<u>(1,260)</u>	<u>(738)</u>	
Net current assets		<u>1,133</u>		<u>14</u>
Total assets less current liabilities		<u>8,264</u>		<u>2,118</u>
Creditors: amounts falling due after more than one year	18	<u>(4,312)</u>		<u>(300)</u>
Net assets		<u>3,952</u>		<u>1,818</u>
Capital and reserves				
Called up share capital	20	1,088		1,088
Share premium account	21	195		195
Other reserves	21	192		192
Profit and loss account	21	2,477		343
Equity Shareholders' funds		<u>3,952</u>		<u>1,818</u>

These financial statements were approved by the board of directors on 22 April 1999 and were signed on its behalf by:

GS Roberts
Director



DT Smith
Director



Consolidated cash flow statement
for the sixteen months ended 30 September 1997

	<i>Note</i>	1998 £000	1997 £000
Cash flow from operating activities	24	317	259
Returns on investments and servicing of finance	26	(754)	(493)
Taxation		(47)	(360)
Capital expenditure and financial investment	26	1,453	(271)
		<hr/>	<hr/>
Cash flow before management of liquid resources and financing		969	(865)
Financing	26	(1,643)	1,261
		<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents		(674)	396
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net debt	27		
Increase/(decrease) in cash in the period		(674)	396
Cash inflow from increase in debt and lease financing		1,643	(1,261)
		<hr/>	<hr/>
Change in net debt resulting from cash flows		969	(865)
Loans and finance leases (acquired)/disposed of with subsidiaries		-	18
Translation differences		(11)	11
		<hr/>	<hr/>
Movement in net debt in the period		958	(836)
Net debt at the start of the period		(5,299)	(4,463)
		<hr/>	<hr/>
Net debt at the end of the period	27	(4,341)	(5,299)
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movements in shareholders' funds
for the sixteen month period ended 30 September 1998

	1998	1997
	£000	£000
(Loss) for the financial period	(160)	(387)
Goodwill written off in period	-	(110)
Release of goodwill previously written off	-	421
Purchase of own shares	-	(294)
Disposal of investments in subsidiary undertakings	693	
Revaluation of freehold properties in period	1,231	-
Exchange differences on reserves of foreign subsidiaries	-	8
	<hr/>	<hr/>
Net addition to/(reduction in) shareholders' funds	1,764	(362)
Opening shareholders' funds	1,879	2,241
	<hr/>	<hr/>
Closing shareholders' funds	3,643	1,879
	<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.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of freehold land and buildings.

The consolidated accounts incorporate the accounts of the Company and all of its subsidiaries. At the time of consolidation, audited financial statements of the subsidiary undertakings were not available. The results consolidated are based on the agreed completion accounts, which were used to conclude the negotiations in the sale of the subsidiary undertakings. Tanvec Pty and Tanshire Equipment Limited are consolidated, based upon management information.

In the consolidated accounts, shares in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of the pre-tax profits and attributable taxation of the associated undertakings based on management accounts for the financial year. In the consolidated balance sheet, the investment in associated undertakings is shown at the Group's share of the net assets, excluding goodwill, of the associated undertakings.

Advantage has been taken of the provision of Section 230 Companies Act, 1985 to exclude a profit and loss account of the holding company.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired in the year are included in the consolidated profit and loss account from the date of acquisition. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves.

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets, except freehold land and buildings, over their estimated useful economic lives as follows:

Motor vehicles	-	25% per annum
Furniture and equipment	-	15% per annum
Demonstration equipment	-	20% per annum
Tools and patterns	-	15% per annum
Computer equipment	-	33% per annum

It is the practice to maintain the freehold land and buildings in a continuous state of repair and accordingly the directors do not consider it appropriate to provide depreciation thereon.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Intangible assets

Intangible assets include intellectual property, development costs, patents and trademarks acquired by the Group. These are amortised on a straight-line basis over 6 years.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Post-retirement benefits

The company has operated a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred, except for expenditure on development costs and intellectual property where the costs are capitalised, subject to future recoverability.

Stocks

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

Notes (continued)

1 Accounting policies (continued)

Long term contracts

The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Long term contract balances are included in debtors and represent turnover recognised in excess of payments on account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

Turnover

Turnover represents the value of contract work done and goods and services provided (excluding value-added tax).

2 Analysis of turnover and (Loss)/profit on ordinary activities before taxation

The directors of the former trading subsidiaries acquired by Tanvec Group Limited have determined that disclosure of segmental analysis of turnover, profit and loss, and net assets to be prejudicial to the interests of the relevant company.

Accordingly, no segmental analysis is included in these accounts.

The directors consider the non-disclosure in these consolidated accounts to be immaterial to the ongoing position of the company.

Notes (continued)

3 Analysis of continuing and discontinued operations

	Turnover	Cost of Sales	Gross Profit	Administrative expenses	Operating profit/(loss)
16 months ended 30 Sept 1998					
Continuing	-	-	-	-	-
Discontinued	33,196	(22,853)	10,343	(11,156)	(813)
	<u>33,196</u>	<u>(22,853)</u>	<u>10,343</u>	<u>(11,156)</u>	<u>(813)</u>
	<u><u>33,196</u></u>	<u><u>(22,853)</u></u>	<u><u>10,343</u></u>	<u><u>(11,156)</u></u>	<u><u>(813)</u></u>
Year ended 31 May 1997					
Continuing	47,692	(37,033)	10,659	(9,984)	675
Discontinued	2,743	(999)	1,744	(1,863)	(119)
	<u>50,435</u>	<u>(38,032)</u>	<u>12,403</u>	<u>(11,847)</u>	<u>556</u>
	<u><u>50,435</u></u>	<u><u>(38,032)</u></u>	<u><u>12,403</u></u>	<u><u>(11,847)</u></u>	<u><u>556</u></u>

4 Discontinued operations

During the year the group disposed of its investment in (i) Total Process Containment Ltd, (ii) Elstead Properties Limited, Tanshire Limited, Tanvec Limited, Haremead Limited, Pharmaceutical Engineering and Design Limited, WT Integrated Systems Limited, Tanvec Limited (Ireland), Haremead GmbH, and Acdima Tanvec Consultancy Company (collectively referred to in this note as "Tanvec Group), (iii) MRC Systems Limited, and (iv) ICTS (formerly Tanvec SA). The profit/(loss) arising on disposal is as set out below:-

	(i) Total Process Containment Limited	(ii) Tanvec Group	(iii) MRC Systems Limited	(iv) ICTS	Total
Disposal Proceeds	343	3,560	193	23	4,119
Net Asset Value Adjustment	(826)	(441)	(63)	-	(1,330)
Less: Cost of Investment	-	(284)	(200)	(171)	(655)
: Disposal Costs	(58)	(355)	(20)	-	(433)
	<u>(541)</u>	<u>2,480</u>	<u>(90)</u>	<u>(148)</u>	<u>1,701</u>
Profit/(loss) on disposal	<u><u>(541)</u></u>	<u><u>2,480</u></u>	<u><u>(90)</u></u>	<u><u>(148)</u></u>	<u><u>1,701</u></u>

There is no effect on the taxation charge attributable to this item.

Notes (continued)

5 (Loss) on ordinary activities before taxation

	16 months ended 30 Sept 1998 £000	Year Ended 1997 £000
<i>(Loss) on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	69	31
Other services	50	12
Depreciation and other amounts written off tangible fixed assets:		
Owned	534	353
Leased	-	160
Amortisation of intangible assets	-	39
Exchange losses	7	15
Hire of plant and machinery - rentals payable under operating leases	101	61
Hire of other assets - operating leases	118	87
Loss on disposal of tangible fixed assets	296	10
	<u> </u>	<u> </u>

6 Remuneration of directors

	16 months ended 30 Sept 1998 £000	Year ended 31 May 1997 £000
Directors' emoluments	546	389
Company contributions to money purchase pension schemes	70	59
	<u> </u>	<u> </u>
	616	448
	<u> </u>	<u> </u>

Directors' emoluments include the estimated money value of motor vehicles and health insurance provided to the directors.

The emoluments of the highest paid director were £164,000 (1997: £82,000), and company pension contributions of £21,000 (1997: £21,000) were made on his behalf.

	Number of directors 16 months ended 30 Sept 1998	Year ended 31 May 1997
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	4	4
	<u> </u>	<u> </u>

Notes (continued)

7 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	16 months ended 30 Sept 1998	Year ended 31 May 1997
Technical and professional	188	230
Administration	47	58
	<hr/>	<hr/>
	235	288
	<hr/>	<hr/>

Persons employed overseas numbered (1997: 48).

The aggregate payroll costs of these persons were as follows:

	16 months ended 30 Sept 1998	Year ended 31 May 1997 £000
Wages and salaries	7,739	7,736
Social security costs	854	846
Other pension costs	147	123
	<hr/>	<hr/>
	8,740	8,705
	<hr/>	<hr/>

8 Interest payable and similar charges

	16 months ended 30 Sept 1998 £000	Year ended 31 May 1997 £000
On bank loans and overdrafts	755	490
Finance charges payable in respect of finance leases and hire purchase contracts	32	38
	<hr/>	<hr/>
	787	528
	<hr/>	<hr/>

Notes (continued)

9 Taxation

	1998 £000	1997 £000
UK corporation tax at 31%	-	97
Adjustment relating to earlier years	(2)	(1)
	<u>(2)</u>	<u>96</u>
	<u><u>(2)</u></u>	<u><u>96</u></u>

10 Intangible fixed assets

	Patents and development costs £000	Intellectual Property £000	Total £000
<i>Cost</i>			
At beginning of period	193	56	249
Disposals	(193)	(56)	(249)
	<u>-</u>	<u>-</u>	<u>-</u>
At end of period	<u>-</u>	<u>-</u>	<u>-</u>
<i>Amortisation</i>			
At beginning of period	103	38	141
Charged in period			
On disposals	(103)	(38)	(141)
	<u>-</u>	<u>-</u>	<u>-</u>
At end of period	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net book value</i>			
At 30 September 1998	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
At 31 May 1997	90	18	108
	<u><u>90</u></u>	<u><u>18</u></u>	<u><u>108</u></u>

Notes (continued)

11 Tangible fixed assets - Group

	Freehold Land and buildings £000	Furniture and computers £000	Other equipment £000	Motor vehicles £000	Total £000
<i>Cost or valuation</i>					
At beginning of period	5,609	2,231	131	1,237	9,208
Additions	-	238	1	276	515
Disposals	-	(2,458)	(132)	(1,403)	(3,993)
Revaluations	1,476	-	-	-	1,476
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	7,085	11	-	110	7,206
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At beginning of period	-	1,309	98	574	1,981
Charge for year	-	332	7	195	534
On disposals	-	(1,641)	(105)	(694)	(2,440)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	-	-	-	75	75
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 30 September 1998	7,085	11	-	35	7,131
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 1997	5,609	922	33	663	7,227
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

During the period under review contracts were exchanged for the sale of the freehold property known as Southern Hey, Manchester, for a consideration of £675,000. This disposal was completed in November 1998.

Other equipment comprises demonstration equipment, tools and patterns, all disposed of during the period..

Freehold land and buildings have a historical cost of £5,850,105 including £253,595 (1997: £253,595) in respect of capitalised interest charges.

During the period, the properties were revalued , in the case of Elstead Properties to £6,410,000 and for Southern Hey £675,000. The valuations were based on a professional valuation from Countrywide Commercial, a division of Countrywide Surveyors Limited dated 10 April 1996, discussions with the company's bankers National Westminster Bank plc and the directors' own assessment of the prevailing market conditions at July 1998. The directors consider that the values referred to for the properties are fair and reasonable.

In July 1998, the properties were transferred from the company to Elstead properties Limited for the consideration of £7,085,000, to be satisfied by the assumption of the mortgages and facilities on the properties and the balance in cash.

Notes (continued)

11 Tangible fixed assets (continued) - Company

	Freehold Land and Buildings	Furniture and Computers	Other Equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of period	-	2,187	131	1,237	3,555
Additions	7,085	238	1	276	7,600
Disposals	-	(2,414)	(132)	(1,403)	(3,949)
At end of period	7,085	11	-	110	7,206
Depreciation					
At beginning of period	-	1,279	98	574	1,951
Charge for period	-	332	7	195	534
On disposals	-	(1,611)	(105)	(694)	(2,410)
At end of period	-	-	-	75	75
Net book value					
At 30 September 1998	7,085	11	-	35	7,131
At 31 May 1997	-	908	33	663	1,604

Included within the net book values of both the group and the company are the following amounts in respect of assets held under finance leases.

	1998 £000	1997 £000
Furniture and computer equipment	-	165
Motor vehicles	-	307
	-	472

Depreciation on these assets was £nil (1997: £160,000).

Notes (continued)

12 Fixed asset investments- Company

	Shares in group undertakings £000	Loans to group undertakings £000	Total £000
Cost			
At beginning of period	463	37	500
Additions	201	-	201
Disposals	(664)	(37)	(701)
	<hr/>	<hr/>	<hr/>
At end of period	-	-	-
	<hr/>	<hr/>	<hr/>
Provisions			
At beginning of period	-	-	-
	<hr/>	<hr/>	<hr/>
At end of period	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 September 1998	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 May 1997	463	37	500
	<hr/>	<hr/>	<hr/>

During the sixteen month period ended on 30th September 1998 the following transactions have occurred:

Total Process Containment Limited was sold to Kynoch Group plc in November 1997; Elstead Properties Limited, Tanshire Limited, Tanvec Limited, Haremead Limited, Pharmaceutical Engineering and Design Limited, WT Integrated Systems Limited, Tanvec Limited (Ireland), Haremead GmbH, and the group's interest in Accidima Tanvec Consultancy Company were sold in July 1998 to Tanvec Group Limited, a management buy-out company formed by the management team of Tanvec Limited for this purpose; MRC Systems Limited was sold in August 1998 to Guidance Limited, a management buy-out company formed by the management team of MRC Systems Limited for this purpose. The group's interest in ICTS (formerly Tanvec SA) was sold in September 1998. The directors have determined to strike off two other subsidiary companies, Tanshire Equipment Limited and Tanvec Pty., both of which have ceased trading activities.

12 Fixed asset investments (continued)

At 30th September 1998 the principal subsidiaries were as follows:

	Country of incorporation	Principal activity	Percentage of ordinary shares held
Tanshire Equipment Limited	England	Distributors and agents for high quality plant process systems	100%
Tanvec Pty	Australia	Consultancy and validation services	100%

Applications have been made to strike off from the register Tanshire Equipment Limited and Tanvec Pty., both of which have ceased trading.

Notes (continued)

13 Stocks

	Group	
	1998	1997
	£000	£000
Raw materials and consumables	6	82
	<u>6</u>	<u>82</u>

14 Debtors: due after one year

	Group		Company	
	1998	1997	1998	1997
	£000	£000	£000	£000
Trade debtors	-	270	-	-
Other debtors	839	220	839	220
	<u>839</u>	<u>490</u>	<u>839</u>	<u>220</u>

15 Debtors: due within one year

	Group		Company	
	1998	1997	1998	1997
	£000	£000	£000	£000
Trade debtors	31	6,234	33	-
Amounts recoverable on contracts	-	3,493	-	-
Amounts owed by group undertakings	-	-	166	43
Other debtors	917	193	917	187
Prepayments and accrued income	17	154	17	98
ACT recoverable	-	-	-	-
VAT recoverable	67	-	67	-
	<u>1,032</u>	<u>10,074</u>	<u>1,200</u>	<u>328</u>

Included in other debtors is £227,000 (1997: £244,000) owed by a former subsidiary of the group. The amounts are due for payment by 2012 and attract interest up to 5% per annum. The amount due after more than one year is £189,000 (1997: £220,000)

Notes (continued)

16 Investment in own shares

	Group		Company	
	1998	1997	1998	1997
	£000	£000	£000	£000
Cost	222	222	222	222
Provision	-	(48)	-	(48)
	<u>222</u>	<u>174</u>	<u>222</u>	<u>174</u>
	<u><u>222</u></u>	<u><u>174</u></u>	<u><u>222</u></u>	<u><u>174</u></u>

At 30 September 1998 the employee share ownership trust owns 1,080,354 (1997: 982,260) ordinary shares of 10p each in the company.

17 Creditors: amounts falling due within one year

	Group		Company	
	1998	1997	1998	1997
	£000	£000	£000	£000
Bank loans and overdrafts	177	1,519	177	-
Obligations under finance leases and hire purchase contracts (see note 18)	8	185	8	185
Payments received on account	-	1,200	-	-
Trade creditors	11	4,078	-	-
Corporation tax	22	71	22	-
Other taxation and social security	6	544	6	500
Other creditors	909	329	905	53
Accruals and deferred income	142	4,513	142	-
	<u>1,275</u>	<u>12,439</u>	<u>1,260</u>	<u>738</u>
	<u><u>1,275</u></u>	<u><u>12,439</u></u>	<u><u>1,260</u></u>	<u><u>738</u></u>

Notes (continued)

18 Creditors: amounts falling due after more than one year

	Group		Company	
	1998	1997	1998	1997
	£000	£000	£000	£000
Bank loans	4,304	4,345	4,312	-
Obligations under finance leases and hire purchase contract	-	83	-	83
Trade creditors	-	237	-	217
	<u>4,304</u>	<u>4,665</u>	<u>4,312</u>	<u>300</u>

Analysis of bank loans

	Group		Company	
	1998	1997	1998	1997
	£000	£000	£000	£000
The bank loans fall due:				
In one year or less, or on demand	177	165	177	-
Between one and two years	187	408	187	217
Between two and five years	640	590	640	-
In five years or more	3,477	3,347	3,485	-
	<u>4,481</u>	<u>4,510</u>	<u>4,489</u>	<u>217</u>

The bank loans and overdrafts are secured on the freehold property of the group. The bank loans are repayable by September 2012 in monthly instalments and accrue interest at up to 2% above the bank base rate.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group		Company	
	1998	1997	1998	1997
	£000	£000	£000	£000
Within one year	8	185	8	185
Between one and two years	-	74	-	74
Between two and five years	-	9	-	9
	<u>8</u>	<u>268</u>	<u>8</u>	<u>268</u>

Notes (continued)

19 Deferred taxation

The potential provision for deferred taxation, for which provision is not considered necessary is set out below

	Group		Company	
	At 30 Sept 1998	At 31 May 1997	At 30 Sept 1998	At 31 May 1997
	£000	£000	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	-	142	-	106
On revaluation of land and buildings	-	52	-	-
Advance corporation tax recoverable	-	-	-	-
	<u>-</u>	<u>194</u>	<u>-</u>	<u>106</u>
	<u><u>-</u></u>	<u><u>194</u></u>	<u><u>-</u></u>	<u><u>106</u></u>

The amount in the group balance sheet of £156,000 relates to a provision against losses in Tanshire Equipment Limited.

20 Called up share capital

	At 30 Sept 1998 £000	At 31 May 1997 £000
Authorised		
14,500,000 ordinary shares of 10p each	1,450	1,450
Allotted, called up and fully paid		
10,881,752 (1997: 10,881,752) ordinary shares of 10p each	<u>1,088</u>	<u>1,088</u>

Following the transfer of employments, pursuant to the disposal of the trading subsidiaries, 800,184 options granted under the Tanshire Holdings Plc Share Option Scheme at a price of 17 pence per share have been exercised or lapsed. At 30th September 1998 nil (1997: 800,184) options remain outstanding.

Following the transfer of employments, pursuant to the disposal of the trading subsidiaries, 23,000 options granted under the Tanshire Holdings Plc Share Option Scheme at a price of 23 pence per share have lapsed. At 30th September 1998 nil (1997: 23,000) options remain outstanding

Notes (continued)

21 Share premium and reserves

Group	Share Premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
At beginning of year	195	159	214	223
Revaluation of freehold properties in period	-	1,231	-	-
Retained loss for the period	-	-	-	(160)
Disposal of investments in subsidiary undertakings	-	(159)	(22)	874
At end of period	195	1,231	192	937

The other reserves comprises £192,000 (1997: £192,000) capital redemption reserve and £Nil (1997: £22,000) capital reserve on consolidation. Cumulative goodwill written off amounts to £Nil (1997: £180,000)

Company	Share Premium Account £000	Revaluation reserve £000	Other reserves £000	Profit And loss account £000
At beginning of period	195	-	192	343
Revaluation of freehold properties in period	-	-	-	-
Retained profit for the period	-	-	-	2,134
At end of period	195	-	192	2,477

22 Minority interests

	Group	
	1998 £000	1997 £000
At beginning of year	5	(22)
Retained loss for the year	-	(36)
Purchase of subsidiaries	-	32
Disposal of subsidiary	(5)	14
Share capital subscribed to subsidiary	-	14
Exchange differences	-	3
	<hr/>	<hr/>
	-	5

Notes (continued)

23 Financial commitments and Contingent liabilities

In the process of disposing of its trading subsidiaries, the company has entered into the normal range of warranties and tax and other indemnities, including where appropriate continued indemnity of bond facilities granted to a former subsidiary company, in favour of the purchasers of the relevant businesses. The exposures under these various contingent liabilities will be progressively expunged.

The directors believe that no material liability will arise in respect of these contingent liabilities in the foreseeable future.

24 Reconciliation of operating profit/(loss) to operating cash flows

	16 months ended 30 Sept 1998		Year Ended 31 May 1997	
	Continuing £000	Discontinued £000	Total £000	Total £000
Operating (loss)/profit	-	(813)	-	556
Amortisation of intangible assets	-	-	-	39
Depreciation charge	-	534	-	513
Loss on sale of fixed assets	-	296	-	10
Provision for diminution in value of investment	-	108	-	29
(Increase)/decrease in stocks	-	76	-	24
(Increase)/decrease in debtors	-	9,949	-	(538)
Increase/(decrease) in creditors	-	(9,833)	-	(374)
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash inflow from operating activities	-	317	-	259
	<hr/>	<hr/>	<hr/>	<hr/>

25 Pension scheme

The company has operated a defined contribution pension scheme. The pension charge for the period represents contributions payable by the company to the fund and amounted to £147,000 (1997: £123,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

Notes (continued)

26 Analysis of cash flows

	16 months ended 30 Sept 1998	Year ended 31 May 1997
Returns on investment and servicing of finance		
Interest received	33	35
Interest paid	(787)	(528)
	<u>(754)</u>	<u>(493)</u>
	<u><u> </u></u>	<u><u> </u></u>
Capital expenditure and financial investment		
Disposal of investments (net) in subsidiary undertakings	1,036	-
Purchase of tangible fixed assets	(515)	(364)
Sale of plant and machinery	1,365	113
Investments in subsidiary undertakings	-	(5)
Costs incurred in disposing of subsidiary undertakings	(433)	(15)
	<u>1,453</u>	<u>(271)</u>
	<u><u> </u></u>	<u><u> </u></u>
Financing		
New bank loans	200	1,753
Repayment of debt	(1,843)	(492)
	<u>(1,643)</u>	<u>1,261</u>
	<u><u> </u></u>	<u><u> </u></u>

Notes (continued)

27 Analysis of net debt

	At beginning of period £000	Cash flow £000	Other non cash changes £000	At end of period £000
Cash in hand, at bank	833	(685)		148
Overdrafts	(1,354)	1,365	(11)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(521)	680	(11)	148
Debt due after one year	(4,428)	124	-	(4,304)
Debt due within one year	(350)	165		(185)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(5,299)	969	(11)	(4,341)
	<hr/>	<hr/>	<hr/>	<hr/>

28 Profit of the parent undertaking

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent undertaking is not presented as part of these financial statements. The parent undertaking's profit for the financial year including group dividends, but before dividends paid amounted to £2,134,779 (1997 £275,820).