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Tanshire Limited
Annual report
for the period ended 20 July 1998



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Tanshire Limited

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**Directors' report
for the period ended 20 July 1998**

The directors present their report and the audited financial statements for the period ended 20 July 1998.

Principal activities

The principal activities of the company are to hold investments in and provide management services to its trading subsidiaries.

Results

The accounts show a loss after taxation amounting to £679,504 (1997: profit £201,429). The directors do not recommend the payment of a dividend.

Review of business

Tanshire Limited holds the investment in and provides management services to the UK operating companies in the Tanshire Holdings Plc group. The company recovers the majority of its costs through service charges made to the operating companies.

During the period negotiations were initiated for a management buy-out of the company and certain of its operating subsidiaries. In preparation for this, the company sold one of its subsidiary undertakings and transferred two others to the ownership of Tanshire Holdings Plc. The negotiations were successfully completed on 20 July 1998.

Directors and directors' interests

The directors who held office during the period were as follows:

D K Bissell	(resigned 18 November 1997)
G J Farquharson	(resigned 20 July 1998)
J F Haggett	(appointed 20 July 1998)
I J Henderson	(resigned 20 July 1998)
P H Janssenswillen	(appointed 20 July 1998)
B J Rea-Palmer	(resigned 20 July 1998)
G S Roberts	(resigned 20 July 1998)
A W Twyford	(resigned 27 May 1998)
P J Wilkinson	(appointed 20 July 1998)

The directors of the company at 20 July 1998 had options over the ordinary shares of Tanshire Holdings Plc, as shown below.

	1 June 1997 Number	Exercised in period Number	Lapsed in period Number	20 July 1998 Number	Exercise price
J F Haggett	36,750	36,750	-	-	17p
P H Janssenswillen	23,250	23,250	-	-	17p
	9,250	-	9,250	-	23p
P J Wilkinson	18,750	18,750	-	-	17p
	9,250	-	9,250	-	23p

All share options were exercised on 15 May 1998, and the shares thus acquired were disposed of before 20 July 1998.

Year 2000

The Directors have considered the potential impact of the Year 2000 computer systems compliance problem and have conducted a review of the company's systems which are used for both internal administration and also for delivering services to clients. The results of the review indicate that millennium compliance will be achieved, as far as it is possible to predict given the inherent uncertainties of the problem. The costs of compliance to date and in the future are not considered to be material, as the company and its holding company have a policy of maintaining up to date and efficient systems and all new hardware and software purchased since 1997 has been compliant. It is planned that full compliance will be achieved and verified at least three months before the end of 1999.

The potential impact of factors beyond the control of the directors has also been considered, although it is difficult to assess the effects of suppliers and clients experiencing problems. The position will be closely monitored up to and beyond the Year 2000.

Introduction of the Euro

The company is preparing for the introduction of the Euro within Europe in 1999. The costs of these changes are not expected to be significant and are being written off as incurred.

Statement of directors' 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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

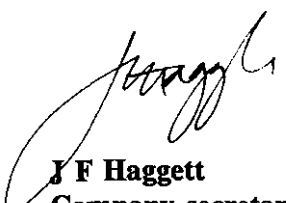
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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 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.

Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board



J F Haggett
Company secretary

Report of the auditors to the members of Tanshire Limited

We have audited the financial statements on pages 6 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' 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 directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we became aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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. 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 at 20 July 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

5 July 1999

**Profit and loss account
for the period ended 20 July 1998**

Discontinued operations

	Notes	Period from 1 June 1997 to 20 July 1998 £	Year ended 31 May 1997 £
Income received from group undertakings		1,057,788	987,160
Administration expenses		(1,247,285)	(1,192,329)
Operating loss		(189,497)	(205,169)
Dividend receivable		-	520,000
Surplus on disposal of subsidiary companies	6	355,608	-
Loss on disposal of subsidiary companies	6	(567,514)	-
Interest receivable		76	433
Interest payable and similar charges	4	(278,177)	(113,929)
(Loss)/profit on ordinary activities before taxation	2	(679,504)	201,335
Tax on profit on ordinary activities	5	-	94
(Loss)/retained profit for the period		(679,504)	201,429
Retained profit brought forward		267,073	65,644
(Loss)/retained profit carried forward		(412,431)	267,073

The company has no recognised gains and losses other than the (loss)/profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/retained profit for the period stated above and their historical cost equivalents.

**Balance sheet
at 20 July 1998**

	Notes	20 July 1998 £	31 May 1997 £
Fixed assets			
Investments	6	<u>1,171,280</u>	<u>2,397</u>
Current assets			
Debtors	7	1,238,150	1,797,633
Creditors: amounts falling due within one year	8	<u>(1,570,861)</u>	<u>(1,531,957)</u>
Net current (liabilities)/assets		<u>(332,711)</u>	<u>265,676</u>
Total assets less current liabilities		<u><u>838,569</u></u>	<u><u>268,073</u></u>
Capital and reserves			
Called up share capital	9	1,251,000	1,000
Profit and loss account (deficit)		<u>(412,431)</u>	<u>267,073</u>
Equity shareholders' funds	10	<u><u>838,569</u></u>	<u><u>268,073</u></u>

The financial statements on pages 6 to 13 were approved by the board of directors on
1 JUL 1999 and were signed on its behalf by:


J F Haggett
Director

**Notes to the financial statements
for the period ended 20 July 1998****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the company in its own published consolidated financial statements.

As a wholly owned subsidiary the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Foreign currencies

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

Post-retirement benefits

The group operates 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.

Taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Fixed asset investments

Investments are stated at cost less provisions for permanent diminution in value.

2 Loss/profit on ordinary activities before taxation

This is stated after charging:

	1998 £	1997 £
Auditors' remuneration: audit services	10,000	1,500
Exchange loss	3,313	3,745
	<u> </u>	<u> </u>

3 Staff numbers and costs

Staff costs during the period amounted to:

	1998 £	1997 £
Wages and salaries	866,091	720,605
Social security costs	77,790	70,084
Pension costs	82,109	68,793
	<u> </u>	<u> </u>
	1,025,990	859,482
	<u> </u>	<u> </u>

The average number of employees during the year was 24 (1997: 29).

Directors' emoluments included above, in respect of those directors who are not directors of the ultimate parent undertaking, are as follows:

	1998 £	1997 £
Directors' emoluments	86,710	98,250
Company contributions to money purchase pension schemes	1,054	-
	<u> </u>	<u> </u>
	87,764	98,250
	<u> </u>	<u> </u>

The company contributes to money purchase pension schemes on behalf of 2 directors (1997: nil).

During the year 5 directors exercised share options in Tanshire Holdings Plc. Share options not taken up by the period end lapsed.

4 Interest payable and similar charges

	1998 £	1997 £
On bank loans and overdrafts	277,706	113,929
Penalty interest on late payment of Corporation tax	471	-
	<u>278,177</u>	<u>113,929</u>

5 Taxation

	1998 £	1997 £
UK corporation tax at 21% (1997: 24%)	-	-
Underprovision in respect of prior years	-	94
	<u>-</u>	<u>94</u>

6 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 June 1997	2,397
Disposals	(1,117)
Additional capital subscribed to subsidiary undertakings	1,150,000
Capital contributions to subsidiary undertakings	20,000
	<u>1,171,280</u>
At 20 July 1998	<u>1,171,280</u>

During the period the company disposed of its entire interest in Tanshire Equipment Limited, MRC Systems Limited and Total Process Containment Limited. There is no tax effect arising from the sale of the subsidiaries.

The principal subsidiary undertakings at the end of the period are:

Name of company	Country of registration	Class of shares held	% holding
Tanvec Limited	England	Ordinary	100
Pharmaceutical Engineering and Design Limited*	England	Ordinary	100
Haremead Limited*	England	Ordinary	100
WT Integrated Systems Limited	England	Ordinary	100
Tanvec Limited*	Ireland	Ordinary	100

* Indirect shareholdings

The principal activities of each of the subsidiaries are as follows:

Tanvec Limited

Providing a single source of responsibility for the design construction for large or small capital projects and servicing all industries.

Providing specialist design layout, planning and operational consultancy to the pharmaceutical and allied industries and independent validation services.

Pharmaceutical Engineering and Design Limited

Providing specialist design layout, planning and operational consultancy to the pharmaceutical and allied industries and independent validation services.

Haremead Limited

Providing a single source of responsibility for the design construction for large or small capital projects and servicing all industries.

WT Integrated Systems Limited

Providing computer software, implementation and consultancy services to the high tech and pharmaceutical industries.

Tanvec Limited (Ireland)

Based in Republic of Ireland, providing a single source of responsibility for the design construction for large or small capital projects, servicing all industries.

7 Debtors: amounts falling due within one year

	1998 £	1997 £
Amounts owed by group undertakings	1,212,576	1,783,135
Prepayments	11,724	14,498
Other debtors	13,850	-
	<u>1,238,150</u>	<u>1,797,633</u>

8 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank loans and overdrafts	941,997	843,534
Trade creditors	71,708	243,339
Other creditors	557,156	445,084
	<u>1,570,861</u>	<u>1,531,957</u>

9 Called up share capital

	1998 £	1997 £
Authorised 1,251,000 ordinary shares of £1 each (1997: 1,000)	<u>1,251,000</u>	<u>1,000</u>
Allotted, called up and fully paid 1,251,000 ordinary shares of £1 each (1997: 1,000)	<u>1,251,000</u>	<u>1,000</u>

During the year 1,250,000 ordinary shares were issued for cash at par.

10 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
(Loss)/profit for the financial period	(679,504)	201,429
Issue of share capital	<u>1,250,000</u>	<u>-</u>
	<u>570,496</u>	<u>201,429</u>
Opening shareholders' funds	<u>268,073</u>	<u>66,644</u>
Closing shareholders' funds	<u>838,569</u>	<u>268,073</u>

11 Contingent liabilities

The company has given cross guarantees and floating charges over its assets in respect of facilities granted to group companies. The amount outstanding at the year end was £886,520 (1997: £756,116).

12 Ultimate parent company

Tanshire Holdings Plc, a company incorporated in England and Wales, was the ultimate parent company and ultimate controlling party during this accounting period. The consolidated accounts of this company are available to the public and may be obtained by writing to: Tanshire House, Shackleford Road, Elstead, Surrey, GU8 6LB.

On 20 July 1998 the ultimate parent company and ultimate controlling party became Tanvec Group Limited.