MOREDUN SCIENTIFIC LIMITED

ANNUAL REPORT
YEAR ENDED 31 MARCH 2002

Registered Number: SC107439



Moredun

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CHAIRMAN'S REPORT
YEAR ENDED 31 MARCH 2002

Last year's loss amounting to £316,275 was serious and totally unsustainable and required an urgent review of the company to return it to profitability.

In February 2001, Foot and Mouth Disease was confirmed in the north east of England and rapidly spread to many parts of the United Kingdom and brought normal animal movement to a halt. This could have had a serious impact on Moredun Scientific Limited's business. Fortunately the strict and effective control measures within Scotland reduced the spread of the disease and the loss of business was less than was initially feared. In addition, five members of staff were seconded to MAFF (now DEFRA). This enabled the company to retain its experienced staff while controlling the salary costs.

Immediate action was taken to control overhead costs which involved staff reductions and consolidation of offices and administration. The Antigen Production Unit was leased for five years which will achieve significant savings and will allow the company to focus on core activities. A number of important initiatives were put in place. A Strategic Business Plan was agreed and committed management to achieve clear financial targets and to implement new systems for job costing and project management. Several other management disciplines were introduced.

A programme of overseas visits to the United States of America and European countries was undertaken by Moredun Scientific Limited and Moredun Research Institute staff to promote the expertise and excellent facilities which are available within the Moredun Group.

Professor Brownlie, Professor of Veterinary Pathology at the Royal Veterinary College, London, joined the Board in April 2001.

The improved results shown in this Annual Report are most encouraging. The Board intends to continue to look for new business while maintaining strict management disciplines for the benefit of the company and the Moredun Group.

I would like to thank the Board for their support during my first year as Chairman and the Board joins me in acknowledging the dedication of the Moredun Scientific Limited staff during a year which has been full of uncertainties.



Dr P S Bramley
Chairman

DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2002

The directors present their annual report together with the audited financial statements for the year ended 31 March 2002.

RESULTS

The profit for the financial year amounted to £117,902 (2001: loss £316,275). This is stated after providing for payments totalling £84,038 (2001: £83,668) under Gift Aid. The directors are satisfied with the improved results for the year and continue to work towards growing the business.

REVIEW OF THE BUSINESS

The company's principal activities during the year were the development and testing of vaccines and products in relation to the prevention of animal disease.

DIRECTORS

The directors during the year were as follows:

P Bramley
D Danson
J Escala
L Stubbings
J Brownlie (appointed 1/4/01)
W Donachie
Q McKellar

None of the Directors had any interest in the share capital of the company at any time during the year.

No rights were granted or exercised to subscribe for shares or debentures in the company.

All the directors retire in accordance with the company's Articles of Association and, being eligible, offer themselves for re-election.

ULTIMATE HOLDING ORGANISATION

Moredun Scientific Limited is a wholly owned subsidiary of The Moredun Foundation.

AUDITORS

PKF is eligible for re-appointment as auditor to the company and a resolution proposing its re-appointment will be proposed at the AGM.

DIRECTORS' REPORT (continued)
YEAR ENDED 31 MARCH 2002

THE EURO

The Directors have considered the implications of the Euro on the business and have taken appropriate action to ensure that the risks inherent with this matter should not effect the ordinary operations of the company.

SPECIAL EXEMPTIONS

We have taken advantage in the preparation of the directors' report of the special exemptions conferred by Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD

C N Burnett
Company Secretary

Edinburgh

Date: 4 September 2002

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 of the company 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;
- 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 ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

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 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MOREDUN SCIENTIFIC LIMITED

We have audited the financial statements of Moredun Scientific Limited for the year ended 31 March 2002 which comprise the Profit and Loss Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with the 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 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 director's remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF OPINION

We conducted our audit in accordance with the 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 company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PKF
Registered Auditors

Edinburgh, UK
Date: 5 September 2002

PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2002

	Notes	2002 £	2002 £	2001 £	2001 £
TURNOVER	1b		1,062,232		1,011,669
COST OF SALES			689,063		771,931
GROSS PROFIT			373,169		239,738
ADMINISTRATIVE EXPENSES			280,539		548,520
			92,630		(308,782)
OTHER OPERATING INCOME			88,395		83,668
PAYMENT UNDER GIFT AID	2		(84,038)		(83,668)
OPERATING PROFIT/(LOSS)	5		96,987		(308,782)
GAIN ON DISPOSAL OF FIXED ASSETS			30,979		-
OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	3	3,029		5,912	
INTEREST PAYABLE AND SIMILAR CHARGES	4	(13,093)		(13,405)	
			(10,064)		(7,493)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			117,902		(316,275)
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES			-		-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR			117,902		(316,275)

BALANCE SHEET
AT 31 MARCH 2002

	Notes	2002 £	2002 £	2001 £	2001 £
FIXED ASSETS					
Tangible Assets	6		63,173		184,547
CURRENT ASSETS					
Stock	7	52,660		60,654	
Debtors	8	417,979		525,039	
Cash at bank and in hand		2		20	
		470,641		585,713	
CREDITORS					
Amounts falling due within one year	9	(503,149)		(844,517)	
NET CURRENT (LIABILITIES)			(32,508)		(258,804)
TOTAL ASSETS LESS CURRENT LIABILITIES			30,665		(74,257)
CREDITORS					
Amounts falling due after more than one year	9		(6,033)		(19,013)
NET ASSETS/LIABILITIES			24,632		(93,270)
CAPITAL AND RESERVES					
Called up share capital	10		100		100
Profit and loss account	11		24,532		(93,370)
EQUITY SHAREHOLDERS' FUNDS			24,632		(93,270)

We have taken advantage in the preparation of the financial statements of the special exemptions conferred by Part VII of Schedule 8 to the Companies Act 1985 relating to small companies.

APPROVED BY THE BOARD

Dr P S Bramley
Director

Edinburgh
Date:
4 September 2002

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material to the company's affairs.

a) Accounting Convention
The financial statements set out on pages 6 to 13 are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (March 2000).

b) Turnover
Turnover is the total amount excluding trade discounts and Value Added Tax derived from the provision of goods and services falling within the ordinary activities of the business. Collaborative sales are invoiced at the outset of the work, but are accounted for over the period in which the work is carried out. Amounts invoiced for work not yet completed are included in deferred income.

c) Tangible Fixed Assets and Depreciation
Tangible fixed assets comprising plant and machinery are written off over their estimated useful lives on a straight line basis at rates between 15% and 25%.

d) Stock and Work in Progress
Stock and work in progress is stated at the lower of cost and net realisable value.

e) Pension Costs
The company contributes to employees' Personal Pension Plans. The charge for the year represents contributions due.

f) Deferred Taxation
Provision is made for deferred tax using the liability method to the extent that it is probable that a liability will crystallise.

g) Grant Income
Confirmed grant income, relating to product development expenses, is credited to turnover in the period in which the costs to which the grant relates were incurred. These costs are included in cost of sales, in accordance with the company's accounting policy.

h) Research and Development
Research and development costs necessarily incurred in the manufacture of products are allocated to cost of sales in the period in which the expenditure was incurred.

i) Operating Leases
Operating lease payments are charged to the profit and loss account on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 MARCH 2002

1. ACCOUNTING POLICIES (Continued)

j) **Assets held under Finance Lease or Hire Purchase Agreements**
Assets held under finance lease or hire purchase agreements are capitalised and included in tangible fixed assets. An equivalent amount is credited to hire purchase / finance lease creditor in the balance sheet. This creditor is then amortised by the capital element of the repayments. The interest payable under any finance lease or hire purchase agreement is charged to the profit and loss account in the period in which it falls due.

k) **Foreign Currency Translation**
Assets and liabilities held in foreign currencies are translated in to sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. PAYMENT UNDER GIFT AID

Payments made under Gift Aid amounted to £84,038 (2001: £83,668).

3. INTEREST RECEIVABLE AND SIMILAR INCOME

Amounts receivable in respect of interest and similar income may be analysed as follows:

	2002 £	2001 £
Amounts receivable from group undertakings	1,551	5,912
Amounts receivable from others	1,478	-
	3,029	5,912

4. INTEREST PAYABLE AND SIMILAR CHARGES

Amounts payable in respect of interest and similar charges may be analysed as follows:

	2002 £	2001 £
Amounts payable to group undertakings	6,511	-
Amounts payable to others	6,582	13,405
	13,093	13,405

Included in amounts payable to others is hire purchase interest of £2,410 (2001: £4,660).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 MARCH 2002

5. OPERATING PROFIT/(LOSS)

	2002 £	2001 £
The operating profit/(loss) is stated after charging the following :		
Directors' emoluments	64,852	53,994
Depreciation (note 6)	33,451	72,786
Operating lease rentals - property	52,415	102,519
Auditors' remuneration - audit fee	3,850	3,850
Auditors' remuneration - non-audit work	126	840

6. FIXED ASSETS - TANGIBLE

The movement on these assets during the year was as follows:

	Plant & Machinery etc. £	Total £
Cost		
At 1 April 2001	677,725	677,725
Additions	6,706	6,706
Disposals	(332,041)	(332,041)
At 31 March 2002	352,390	352,390
Accumulated Depreciation		
At 1 April 2001	493,178	493,178
Charge for the year	33,451	33,451
Eliminated on disposals	(237,412)	(237,412)
At 31 March 2002	289,217	289,217
Net Book Value		
At 31 March 2002	63,173	63,173
At 31 March 2001	184,547	184,547

Included in the net book value of plant and machinery etc is a sum of £15,500 (2001: £32,323) relating to assets held under finance lease and hire purchase agreements. The depreciation charge for the year relating to these assets was £6,136 (2001 £7,627).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 MARCH 2002

7. STOCK

	2002 £	2001 £
Work in Progress	24,050	-
Consumables	28,610	60,654
	52,660	60,654

8. DEBTORS

Debtors comprised :	£	£
Amounts due from group undertakings	12,374	189,335
Trade debtors	367,140	306,452
Other debtors	38,465	29,252
	417,979	525,039

9. CREDITORS

Creditors comprised :	£	£
Amounts falling due within one year:		
Amounts due to group undertakings	207,066	321,813
Bank overdraft	140,900	148,932
Trade creditors	16,571	57,041
Accruals and deferred income	109,394	265,001
Hire Purchase / Finance Lease Creditor	6,038	14,921
Other Taxes and Social Security	23,107	36,809
Other Creditors	73	-
	503,149	844,517

The bank overdraft is secured by a bond and floating charge over the whole assets of the company and is repayable on demand. Hire purchase and finance lease creditors are secured on the underlying assets.

	£	£
Amounts falling due outwith one year:		
Hire Purchase / Finance Lease Creditor (due within 2-5 years)	6,033	19,013

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 MARCH 2002

10. SHARE CAPITAL

Called up share capital comprised allotted, called up and fully paid ordinary shares of £1 each.

The authorised share capital of the company throughout the year was £50,000 divided into 50,000 ordinary shares of £1 each.

11. RESERVES

The movement on reserves during the year was as follows:

	Profit & Loss Account £
At 1 April 2001	(93,370)
Profit for the financial year	117,902
At 31 March 2002	24,532

12. PENSION COSTS

Contributions made by the company to the employees' Personal Pension Plans during the year amounted to £23,377 (2001: £32,358). Contributions outstanding at the year end amounted to £73 (2001: £NIL). One director received pension benefits during the year (2001: one).

13. ULTIMATE HOLDING ORGANISATION

Moredun Scientific Limited is a wholly owned subsidiary of The Moredun Foundation, a company limited by guarantee, registered in Scotland No: 151865. The annual report of the Moredun Foundation is available for inspection at Companies House.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 MARCH 2002

14. LEASE COMMITMENTS

The company has annual operating lease commitments to pay in respect of:

	2002	2001
Property Leases	£	£
Expiring after more than 5 years	70,835	70,835

15. *RELATED PARTIES*

Moredun Scientific Limited is ultimately controlled by The Moredun Foundation, which directly holds 100 per cent of the issued share capital in Moredun Scientific Limited. Exemption has therefore been taken under FRS8, from disclosing group related party transactions.

The results of Moredun Scientific Limited are included in the consolidated financial statements of The Moredun Foundation, which are available for inspection at Companies House.