

## Notes to the accounts for the year ended 31 March 2003

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### 1 Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

A summary of the more important Group accounting policies, which have been applied consistently, is set out below.

The accounting policies have been reviewed by the Board of Directors in accordance with Financial Reporting Standard ('FRS') 18 'Accounting Policies'.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

#### Functional currency

The Group has reassessed its functional currency, with the result that the US dollar (US\$) has been regarded as the functional currency from 1 April 2002. The US\$ is the currency of the primary economic environment in which the Group operates, and it is also the currency in which the majority of cash is generated and expended by both the Products and Laboratories Group.

The Group has historically measured and presented the financial statements in Sterling. Effective from 1 April, 2002, the Financial Statements have been presented in US\$ and all comparative figures have been presented to conform to the current year's presentation.

### 26 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings drawn up to 31 March 2003. Intra-group sales and profits are eliminated fully on consolidation. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Company has gained control of the subsidiary, are charged to the post-acquisition profit and loss account.

#### Exceptional items

Exceptional items: There have been no exceptional items for the year ending 31 March 2003. For the comparative figures of year ending 31 March 2002 the following accounting principles have been followed:

Operating exceptional items: Exchange gains/losses resulting from the retranslation of balances denominated in foreign currencies have been reported separately due to their size.

Non Operating Exceptional items: Exceptional costs of \$4.156m which relate to a fundamental restructuring of the operations of the Group have been included as non-operating exceptional items (see note 4).

#### Comparative figures

The Consolidated Profit and Loss account of 2002 has been analysed between Continuing and Discontinued Operations as required by FRS3 'Reporting Financial Performance'. Comparative figures for 2002 have been originally reported in Sterling but have now been reported in US\$ at an exchange rate of 1.4241\$/Pound.

#### Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. The accounting policy on goodwill was revised in the year ended 31 March 1999 to take account of the changes introduced by FRS 10 'Goodwill and Intangible Assets'. Goodwill on previous years' acquisitions remains written off against reserves in accordance with the previous accounting policy. Such goodwill will be charged in the profit and loss account on any future disposal of the business to which it relates. Goodwill on acquisitions made since 1 April 1998 is capitalised and amortised over 20 years, in line with the useful economic life of the acquisitions.

### Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods and services supplied together with revenue from collaborative research and development, which is recognised as turnover in the accounting period in which the related work is carried out. Turnover is recognised on despatch of equipment to customers with written notification indicating their intention to implement Celsis technology.

### Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal useful economic lives used for this purpose are:

	Years
Plant and machinery	3 to 10
Leasehold improvements	Period of lease

### Intangible fixed assets

Expenditure on patents is written off to the profit and loss account in the period in which it is incurred. Expenditure on licence fees is capitalised and amortisation is calculated so as to write off the cost of the licence on a straight line basis over the expected useful life of the licence, which does not exceed 20 years. Expenditure on acquired trademarks is capitalised and amortisation is calculated so as to write off the cost of the trademark on a straight line basis over a period of twenty years or the expected useful life of the trademark, whichever is the shorter.

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### Research and development

All expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

### Finance and operating leases

Assets acquired under finance leases are included in fixed assets and are depreciated over the shorter of the lease period or their expected economic useful lives. The capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the profit and loss account so as to give a constant periodic rate of charge on the remaining balance outstanding at the end of each accounting period. Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

### Stocks and work-in-progress

Stocks and work-in-progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

### Short-term investments

Short-term investments relate to bank deposits which are not repayable on demand. Movement in such investments is included under 'Management of liquid resources' in the cash flow statement in accordance with FRS 1, 'Cash flow statements'.

### Pension costs

The Company operates a defined contribution scheme for the benefit of UK employees of the Group. Pension benefits are provided to overseas employees in accordance with appropriate local practice. The pension cost charge represents contributions payable by the Group in the year.

## Notes to the accounts for the year ended 31 March 2003 (continued)

### Deferred taxation

In accordance with FRS 19, 'Deferred tax' provision is made for deferred tax liabilities and assets using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date, the effect of which is to give rise to an increased or reduced tax liability in the future. Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

### Fixed asset investments

Own shares are held at the lower of original cost or mid-market price. Investments in subsidiaries are held in the Company accounts at cost less provision for impairment.

### Foreign currencies

Transactions denominated in a foreign currency are translated at the rate of exchange ruling at the date of transaction.

Assets and liabilities of all non-US companies are translated in US dollars at rate of exchange ruling at the end of the financial year, and the results of all non US companies are translated at the average rates of exchange for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies and from the translation of the results of those companies at average rates are taken to reserves and are reported in the statement of total recognised gains and losses. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

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### 2 Segmental analysis

	2003 \$'000	2002 \$'000
Turnover by class of business		
Supply of products and collaboration - continuing	12,237	11,243
Supply of products and collaboration - discontinued	-	231
Supply of testing services	14,870	13,737
	27,107	25,211
Profit before taxation by class of business		
Supply of products and collaboration - continuing	2,116	(2,431)
Supply of products and collaboration - discontinued	-	(4,562)
Supply of testing services	1,824	1,326
	3,940	(5,667)
Net assets by class of business		
Supply of products and collaboration	9,532	5,761
Supply of testing services	9,046	7,222
	18,578	12,983

#### By geographical area

The analysis by geographical area of the Group's turnover, profit before taxation and net assets is set out below:

	2003 Sales by destination \$'000	2003 Sales by origin \$'000	2002 Sales by destination \$'000	2002 Sales by origin \$'000
Turnover:				
Europe	4,778	20,980	4,690	22,451
Americas	20,621	15,560	19,103	14,386
Rest of the world	1,708	-	1,418	-
	27,107	36,540	25,211	36,837
Inter-area sales	-	(9,433)	-	(11,626)
	27,107	27,107	25,211	25,211

**2 Segmental analysis (continued)**

	2003	2002
	\$'000	\$'000
Profit before taxation:		
Europe	2,715	645
Americas	1,225	(2,156)
Exceptional costs (see note 4)	-	(4,156)
	3,940	(5,667)
Net assets:		
Europe	14,450	10,324
Americas	4,128	2,659
	18,578	12,983

Net assets of discontinued activities are not considered to be material. No analysis of these net assets has been presented.

**3 Profit/(loss) on ordinary activities before taxation**

	2003	2002
	\$'000	\$'000
The profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation:		
Tangible owned fixed assets	1,025	1,082
Tangible fixed assets held under finance leases	131	118
Loss on disposal of tangible fixed assets	6	387
Loss on disposal of intangible fixed assets	-	407
Amortisation:		
Licence fees	16	28
Trademarks	6	30
Goodwill	79	66
Auditors' remuneration for:		
Audit (Company: \$10,000 (2002: \$10,000))	200	181
Other services	126	155
Operating lease rentals:		
Plant and machinery	225	278
Other	752	1,055

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**4 Exceptional costs**

There have been no exceptional items for the year ending 31 March 2003. For the comparative figures of the year ending 31 March 2002 the following exceptional items have been reported:

Operating exceptional items

Exceptional administrative expenses in 2002 include a provision for bad debts of \$2,486,000 and an exchange gain of \$252,000 resulting from the retranslation of balances denominated in foreign currencies.

	2003	2002
	\$'000	\$'000
Non-operating exceptional items		
Costs of fundamental restructuring	-	4,156

In the year ended 31 March 2002, the Group recorded a charge of \$4,156,000 relating to restructuring and re-organisation. Costs of \$1,968,000 related to the disposal of the Hygiene Monitoring Division. A further \$396,000 was incurred in relation to the closure of Celsis Limitada in Brazil, \$491,000 related to the cessation of instruments manufacturing in Landgraaf, \$722,000 to redundancies, and \$579,000 of accruals was also booked to take into account the costs of closure of Cambridge (R&D). This reorganisation has had a material affect on the nature of the Group's operations and as such the costs were classified as non-operating items in accordance with FRS 3. As there are corporation tax losses within the group, there was no tax attributable to exceptional items.

## Notes to the accounts for the year ended 31 March 2003 (continued)

### 5 Directors' emoluments

Detailed disclosure of directors' individual remuneration and share options are shown in the Remuneration Committee Report on pages 12 to 13 of the Full Annual Report and Accounts.

	2003 \$'000	2002 \$'000
Aggregate emoluments	507	732
Company pension contributions to money purchase schemes	+ 94	36
Compensation for loss of office (P Grant)	-	43
Sums paid to third parties for Directors' services	66	81
Emoluments payable to the highest paid Director are as follows:		
Aggregate emoluments	236	214
Company pension contributions to money purchase schemes	+ 77	3

Retirement benefits are accruing to two Executive Directors (2002: three Executive Directors) under defined contribution schemes.

30 + Company pension contributions to money purchase schemes figure for 2003 include the backlog of contributions due by the Group since November 2000 for Jay LeCoque under the Executive Pension Scheme.

### 6 Employee information

The average monthly number of persons (including Executive Directors) employed during the year was:

	2003 Number	2002 Number
By class of business:		
Supply of products and collaborations	61	76
Supply of testing services	135	152
	196	228
By functional activity:		
Technical	117	134
Commercial	12	16
Administration and support	67	78
	196	228
Employees		
	2003 \$'000	2002 \$'000
Staff costs (for the above persons):		
Wages and salaries	9,342	11,193
Social security costs	1,051	1,138
Other pension costs (see note 27)	222	174
	10,615	12,505

<b>7 Interest receivable and similar income</b>	2003	2002
	\$'000	\$'000
Interest receivable and similar income	97	4
Exchange gains	-	79
	97	83

<b>8 Interest payable and similar charges</b>	2003	2002
	\$'000	\$'000
Bank loans and overdrafts	31	57
Finance leases	55	61
Exchange losses	47	-
	133	118

#### **9 Loss for the financial year**

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's loss after taxation was \$844,000 (2002: \$1,141,000).

#### **10 Taxation**

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(a) Tax on loss on ordinary activities	2003	2002
	\$'000	\$'000
Current taxation		
UK taxation charge for current year at 30% (2002: 30%)	-	-
Overseas taxation charge for current year	-	3
Overseas taxation charge for prior years	8	(128)
Deferred taxation	(1,228)	-
	(1,220)	(125)

There are gross unutilised corporation tax losses within the Group at 31 March 2003 amounting to approximately: UK corporation tax losses of US\$12.3m (£7.8m) and US corporation tax losses of \$12.6m representing a total available for offset against UK and US trading profits of \$24.9m.

#### (b) Factors affecting tax charge for the year

The tax charge for the year is different than that assessed at the standard rate of corporation tax in the U.K. of 30%. The differences are explained below:

	2003	2002
	\$'000	\$'000
Profit/(loss) on ordinary activities before tax	3,940	(5,667)
Profit/(loss) on ordinary activities multiplied by the rate of UK corporation tax of 30% (2002: 30%)	1,182	(1,700)
Effects of:		
Differences between capital allowances and depreciation	(133)	(27)
Expenses not deductible for tax purposes	90	53
(Utilisation)/carry forward of tax losses	(1,139)	1,644
Under/(over) provision in respect of prior year	8	(128)
Movement on general provisions	-	33
Current tax charge/(credit)	8	(125)

## Notes to the accounts for the year ended 31 March 2003 (continued)

### 11 Earnings per Ordinary Share

The calculation of basic earnings per share is based on the profit/(loss) on ordinary activities after taxation of \$5,160,000 (2002: (\$5,542,000)) and on 106,946,566 (2002: 106,946,566) Ordinary Shares, being the weighted average number of Ordinary Shares in issue.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The number of dilutive shares during the year was 170,246 (2002: 170,246), resulting in a weighted average number of shares of 107,116,812 (2002: 107,116,812).

### 12 Intangible fixed assets

	Group licence fees \$'000	Group goodwill \$'000	Group trademarks \$'000	Group total \$'000	Company trademarks \$'000
Cost:					
At 1 April 2002	172	1,448	33	1,653	33
Additions	-	-	-	-	-
Exchange differences	25	-	4	29	4
At 31 March 2003	197	1,448	37	1,682	37
Amortisation:					
At 1 April 2002	73	65	23	161	23
Charge	16	79	6	101	6
Exchange differences	14	-	3	17	3
At 31 March 2003	103	144	32	279	32
Net book value:					
At 31 March 2003	<b>94</b>	<b>1,304</b>	<b>5</b>	<b>1,403</b>	<b>5</b>
At 31 March 2002	99	1,383	10	1,492	10

### 13 Tangible fixed assets

The Company has no tangible fixed assets.

Details of those relating to the Group are as follows:

	Leasehold improvements \$'000	Plant & machinery \$'000	Total \$'000
Cost:			
At 1 April 2002	1,424	6,329	7,753
Additions	109	570	679
Exchange differences	-	600	600
Disposals	-	(11)	(11)
At 31 March 2003	1,533	7,488	9,021
Depreciation:			
At 1 April 2002	370	3,162	3,532
Charge	160	996	1,156
Exchange differences	-	449	449
Disposals	-	(5)	(5)
At 31 March 2003	530	4,602	5,132
Net book value:			
At 31 March 2003	<b>1,003</b>	<b>2,886</b>	<b>3,889</b>
At 31 March 2002	1,054	3,167	4,221

The net book value of tangible fixed assets included within plant and machinery includes an amount of \$585,000 (2002: \$702,000) in respect of assets held under finance leases.

**14 Fixed asset investments**

	Group \$'000	Company \$'000
(a) Investment in subsidiary under takings:		
Cost:		
At 1 April 2002	-	25,280
At 31 March 2003	-	25,280
Provision for diminution in value:		
At 1 April 2002	-	9,214
At 31 March 2003	-	9,214
Net book value:		
At 31 March 2003	-	16,066
At 31 March 2002	-	16,066
	Group \$'000	Company \$'000
(b) Own shares:		
Cost:		
At 1 April 2002	27	27
Distributions in the year	-	-
Exchange differences	3	3
At 31 March 2003	30	30
Provision for diminution in value:		
At 1 April 2002	21	21
Release of provision	(5)	(5)
Exchange differences	3	3
At 31 March 2003	19	19
Net book value:		
At 31 March 2003	11	11
At 31 March 2002	6	6
Total net book value:		
At 31 March 2003	11	16,077
At 31 March 2002	6	16,072

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Own shares represent 39,352 (2002: 39,352) Ordinary Shares in Celsis International plc held at market valuation of \$0.276c each by CETCO Limited, as trustee of the Employee Share Ownership Trust for the purpose of satisfying obligations under share option plans for the benefit of the Group's employees. These shares are listed on the London Stock Exchange and had a value of \$10.874 on 31 March 2003. The management costs of the trust are dealt with in the Group profit and loss account.

## Notes to the accounts for the year ended 31 March 2003 (continued)

### 14 Fixed asset investments (continued)

The Company's principal trading subsidiaries, all 100% held, are as follows:

Name of under taking	Country of registration or incorporation	Description of shares held
Celsis Limited ~	England and Wales	47,000,000 1p ordinary shares
CeIC SARL **	France	13,333 EUR 15 shares
ConCell GmbH * (formerly Celsis GmbH)	Germany	50,000 EUR 0.5113 ordinary shares
Celsis International BV * (formerly Lumac BV)	Netherlands	500 EUR 453.78 ordinary shares
Celsis Inc. O	USA	1,000 US\$1 common shares
Celsis Laboratory Group (New Jersey) Inc. O	USA	200 shares, no par value
Celsis Laboratory Group (St Louis) Inc. O	USA	1,000 US\$1 common shares

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~ Held directly by the Company

\*\* Jointly owned by Celsis Limited and Celsis Europe BV a wholly owned non-trading subsidiary of the Company.

\* Wholly owned by Celsis Europe BV, a wholly owned non-trading subsidiary of the Company.

O Wholly owned by Celsis Holdings Inc., a wholly owned non-trading subsidiary of the Company.

The principal business activity of the Celsis Laboratory Group companies is the supply of contract testing services. The principal business activities of Celsis Limited, Celsis International BV, CeIC Sarl, ConCell GmbH and Celsis Inc. are the development, manufacture, supply and distribution of rapid diagnostic and monitoring systems for use in the detection and measurement of low level microbial contamination in a wide range of manufacturing processes and end products. All of these companies operated principally in their country of registration or incorporation and all have been included in these financial statements.

**15 Stocks**

The Company has no stocks. Details of those relating to the Group are as follows:

	2003 \$'000	2002 \$'000
Raw materials and consumables	1,420	1,697
Work in progress	5	3
Finished goods and goods for resale	1,663	1,867
	<b>3,088</b>	<b>3,567</b>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

**16 Debtors**

	Group 2003 \$'000	Group 2002 \$'000	Company 2003 \$'000	Company 2002 \$'000
Amounts falling due within one year:				
Trade debtors	5,064	4,188	-	-
Other debtors	1,802	946	-	-
Prepayments and accrued income	383	863	61	6
	<b>7,249</b>	<b>5,997</b>	<b>61</b>	<b>6</b>
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	10,171	10,186
Prepayments and other debtors	150	231	-	-
	<b>150</b>	<b>231</b>	<b>10,171</b>	<b>10,186</b>
	<b>7,399</b>	<b>6,228</b>	<b>10,232</b>	<b>10,192</b>

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+ Other debtors falling due within one year include a deferred tax asset of \$1,228,000 (see note 20).

**17 Creditors: amounts falling due within one year**

	Group 2003 \$'000	Group 2002 \$'000	Company 2003 \$'000	Company 2002 \$'000
Bank loans and overdrafts	35	248	-	-
Trade creditors	1,287	1,824	-	-
Obligations under finance leases	161	194	-	-
Corporation tax	1	17	-	-
Other taxation and social security	346	175	-	-
Other creditors	27	164	-	-
Accruals and deferred income	1,453	945	215	383
	<b>3,310</b>	<b>3,567</b>	<b>215</b>	<b>383</b>

## Notes to the accounts for the year ended 31 March 2003 (continued)

### 18 Creditors: amounts falling due after more than one year

The Company has no creditors falling due after more than one year. Details of those relating to the Group are as follows:

	2003	2002
	\$'000	\$'000
Pension contributions (a)	99	85
Obligations under finance leases	250	364
	349	449

(a) Celsis International BV operates a defined contribution pension scheme for the benefit of its employees. The scheme's assets are administered by an insurance company. An accrual for back-service pension obligations is recognised as a creditor: amounts falling due after more than one year.

### 19 Finance leases

The Company has no finance leases. Details of those relating to the Group are as follows:

	2003	2002
	\$'000	\$'000
36 The net finance lease obligations to which the Group is committed:		
In one year or less	161	194
Between one and two years	135	189
Between two and five years	115	175
	411	558

### 20 Provision for liabilities and charges

	2003	2002
	\$'000	\$'000
Restructuring provision:		
Group		
At 1 April 2002	1,064	-
Charged to the profit and loss account	-	1,064
Utilised in the year	(962)	-
At 31 March 2003	102	1,064

The provision relating to the restructuring of the Group's operations which was reported in 2002 has been almost fully utilised during the year 2003. The Group expects to utilise the balance in the current year. The Company has no provision for liabilities and charges.

**20 Provision for liabilities and charges (continued)**

Deferred tax:

No provision for deferred taxation has been made as it is probable that no liability will arise in the foreseeable future due to the availability of tax losses.

	\$'000
At 1 April 2002	-
Profit and loss account	(1,228)
At 31 March 2003	(1,228)

The analysis of deferred tax assets is as follows:

Group	2003	2003	2002	2002
	Amounts recognised \$'000	Amounts not recognised \$'000	Amounts recognised \$'000	Amounts not recognised \$'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	-	(54)	-	(124)
Capital gains	-	45	-	181
Short term timing differences	-	(373)	-	(639)
Other - losses	(1,228)	(10,263)	-	(11,131)
	(1,228)	(10,645)	-	(11,713)

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The deferred tax asset recognised has been restricted to the extent of the estimated taxable profits in the foreseeable future.

Company	2003	2003	2002	2002
	Amounts recognised \$'000	Amounts not recognised \$'000	Amounts recognised \$'000	Amounts not recognised \$'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	-	-	-	-
Capital losses	-	(136)	-	-
Short term timing differences	-	(6)	-	-
Other - losses	-	(209)	-	(229)
	-	(351)	-	(229)

The potential deferred tax asset has not been recognised in these financial statements due to the uncertainty of utilising these losses in the future.

**21 Financial instruments**

The Group purchases or issues financial instruments in order to finance its operations. It does not enter into any derivative transactions or trade in financial instruments. Group policy has been to finance its operations in overseas subsidiary companies by generating cash through local currency sales, while surplus cash balances from overseas trading are used to finance UK central costs. A bank overdraft facility is available in the Netherlands to manage short-term fluctuations in Group financial requirements, while longer-term financing is provided in a United States subsidiary through finance leases. In addition, various short-term financial balances, such as trade debtors, trade creditors and accruals, arise directly from the Group's operations and these have been excluded from all disclosures, except the foreign currency disclosures.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below. These policies have remained unchanged throughout the year ended 31 March 2003.

## Notes to the accounts for the year ended 31 March 2003 (continued)

### 21 Financial instruments (continued)

#### Interest rate risk

The Group finances its operations through a mixture of retained cash reserves, equity finance, finance leases, and a bank overdraft facility. The policy of the Group is to monitor exposure to interest rate risk and take into account potential movements in interest rates when selecting methods of financing. However at present, the level of Group borrowings is low and the risk at present is not considered high.

#### Financial liabilities

All the finance leases are carried by a United States subsidiary company and are at fixed rates of interest. The total of these liabilities outstanding at 31 March 2003 was \$411,000 (2002: \$558,000) with a weighted average outstanding period of 2.7 years (2002: 3.1 years) and a weighted average interest rate of 11% (2002: 11%). The bank overdraft facility is available at a floating rate of interest with interest rates between 5.75% and 6.75% during the year. No interest is payable on the Group's provision for reorganisation. The maturity profile of finance leases in the United States is shown in note 19.

#### Financial assets

The cash and bank balances of the group are shown in the consolidated balance sheets. The group maintains sterling, dollar and euro accounts in which all cash and bank balances are held. The Group has also invested in fixed income short term investments, typically 30 and 60 days deposits in Sterling, which are shown in the consolidated balance sheets.

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Cash and bank balances represent floating rate cash held in current accounts and deposit accounts earning interest based on relevant national LIBID equivalents.

	2003	2002
	\$'000	\$'000
Short-term investments		
Sterling	4,723	-
Dollars	173	-
	4,896	-
Cash and bank balances		
Sterling	58	1,119
Dollars	1,213	1,003
Euros	382	427
	1,653	2,549

#### Liquidity risk

The Group has fluctuations in short-term cash requirements through normal trading factors arising in both the United Kingdom and overseas territories. Any potential liquidity risk is mitigated by maintaining bank overdraft facilities. In March 2003 the Group had one unsecured overdraft facility of EUR 400,000 (of which EUR 32,000 were utilised). This facility expires within 1 year as it is an annual facility which is subject to review during the year.

**21 Financial instruments (continued)**

## Foreign Currency Risk

The currency exposure (i.e. those translational exposures that give rise to the net currency gains and losses recognised in the profit and loss account) of the Group's net monetary assets/(liabilities) is shown below. Such exposure comprises the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or 'functional') currency of the operating unit involved.

	Sterling \$'000	Dollars \$'000	Euros \$'000
Functional currency of reporting entity			
Sterling	-	9,210	1,500
Dollars	-	-	-
Euros	(10)	315	-
<b>At 31 March 2003</b>	<b>(10)</b>	<b>9,525</b>	<b>1,500</b>
Functional currency of reporting entity			
Sterling	-	8,727	1,259
Dollars	-	-	55
Euros	145	335	-
<b>At 31 March 2002</b>	<b>145</b>	<b>9,062</b>	<b>1,314</b>

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Amount relating to balances which are not between Group Companies: \$1,204,000 (2002: \$509,000).

## Fair values

In the opinion of the Directors, there is no material differences between the fair value of the bank and cash balances and the carrying values because of the short maturity period of these financial instruments. The fair value of provisions for liabilities and charges approximates to fair value as this is the amount which would be payable if the liability had crystallised at the balance sheet date.

**22 Called up share capital**

	2003 Number	2003 Nominal value \$'000	2002 Number	2002 Nominal value \$'000
Ordinary Shares of 1p each				
Authorised:	150,000,000	2,136	150,000,000	2,136
Allotted, called up and fully paid:				
At 1 April 2002	106,985,918	1,525	106,985,918	1,525
At 31 March 2003	106,985,918	1,525	106,985,918	1,525

## Notes to the accounts for the year ended 31 March 2003 (continued)

### 23 Share premium and reserves

Group	Share premium account \$'000	Profit & loss account \$'000	Reserve arising on consol- idation \$'000
At 1 April 2002	20,741	(10,765)	1,482
Movements in the year			
Exchange difference	-	435	-
Retained losses for the year	-	5,160	-
At 31 March 2003	20,741	(5,170)	1,482

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Company	Share premium account \$'000	Merger reserve \$'000	Profit & loss account \$'000
At 1 April 2002	20,741	5,320	(1,695)
Movements in the year			
Retained loss for the year	-	-	(844)
Exchange difference	-	-	1,052
At 31 March 2003	20,741	5,320	(1,487)

	Profit & loss account \$'000	Merger reserve \$'000	Total \$'000
Cumulative amount of goodwill written off to reserves:			
At 1 April 2002 and at 31 March 2003	16,532	5,320	21,852

**24 Reconciliation of movements in equity shareholders' funds**

	2003	2002
Group	\$'000	\$'000
Profit for the financial year	5,160	(5,542)
Exchange differences	435	(241)
Net increase in equity shareholders' funds	5,595	(5,783)
Opening equity shareholders' funds	12,983	18,766
Closing equity shareholders' funds	18,578	12,983

**25 Options in shares of Celsis International plc Approved Share Option Scheme**

	Date of grant	Exercise price	Number of shares at 31.3.03
Outstanding options on 1p Ordinary Shares are as follows:			
	1 November 1993	97.00p	35,000
	1 April 1994	83.50p	112,000
	18 July 1994	82.83p	23,291
	10 April 1995	83.50p	121,861
	7 July 1995	86.83p	75,000
	30 September 1996	113.00p	63,343
	27 May 1997	105.00p	46,500
	10 November 1997	96.83p	20,000
	15 May 1998	44.66p	120,600
	1 December 1999	44.33p	5,000
			622,595

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The options are exercisable after the expiry of three years from the date of grant and cease to be exercisable ten years after the date of grant.

## Notes to the accounts for the year ended 31 March 2003 (continued)

### 26 Options in shares of Celsis International plc 1996 Unapproved Share Option Scheme

	Date of grant	Exercise price	Number of shares
Outstanding options on 1p Ordinary Shares are as follows:			
	16 December 1996	113.50p	60,000
	27 May 1997	105.00p	83,500
	4 November 1997	96.83p	70,000
	15 May 1998	44.66p	282,000
	15 January 1999	17.66p	480,000
	1 December 1999	44.33p	200,000
	30 May 2000	41.08p	15,000
	24 January 2001	17.25p	779,710
	27 November 2001	12.42p	92,500
	12 July 2002	15.00p	480,000
			2,542,710

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The exercise of share options under this scheme is subject to objective performance related conditions as detailed in the Report of the Remuneration Committee. These are set on an annual basis in respect of the next financial year, in which case the option holder, to the extent he satisfies these conditions, is entitled to "bank" such percentage of his share options as equates to the performance achieved subject to a maximum of one third. The options are exercisable after the expiry of three years from the date of grant and cease to be exercisable ten years from the date of grant.

Total number of share options outstanding	3,165,305
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### 27 Pensions

The Group operates a number of defined contribution pension schemes for certain employees of the Group. Contributions totalling \$222,000 (2002: \$174,000) were payable by the Group to the schemes. The assets of the schemes are held in independently administered funds. At the balance sheet date contributions of \$99,000 (2002: \$85,000) were included within creditors.

### 28 Capital commitments

The Company does not have any contracted capital commitments (2002: \$ Nil). The Group does not have any contracted capital commitments (2002: \$ Nil).

### 29 Financial commitments

The Company has no annual commitments under non-cancellable operating leases. Details of those relating to the Group are as follows:

	2003 \$'000	2002 \$'000
Operating leases which expire within one year:		
Land & buildings	48	-
Other	7	11
	55	11
Operating leases which expire between two and five years inclusive:		
Land & buildings	208	229
Other	208	158
	416	387
Operating leases which expire after five years:		
Land & buildings	495	496

### 30 Contingent liabilities

There are no contingent liabilities and the guarantee that the Company had given for the bank overdraft facility to its UK subsidiary, Celsis Limited, is no longer applicable.

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### 31 Related party transactions

The Group incurred the following costs in relation to consultancy services from related parties during the year:

		2003 \$'000	2002 \$'000
Merlin Scientific Services Limited	*	47	43
Turleigh Ltd	°	-	85

Amounts owed to related parties which include Directors emoluments and reimbursement of expenses at the year end are as follows:

		2003 \$'000	2002 \$'000
Fermic AG	+	-	60
Merlin Scientific Services Limited	*	20	138
Turleigh Ltd	°	-	174

+ Fermic AG is a company under the control of J R Morris

\* Merlin Scientific Services Limited is a company under the control of Sir C T Evans

° Turleigh Ltd is a company under the control of Dr J Rowell