

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED
(REGISTERED NUMBER 2188943)

DIRECTORS' REPORT AND ACCOUNTS

30 June 1996



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BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1996

The directors present their report together with the audited financial statements of the company for the year ended 30 June 1996.

PRINCIPAL ACTIVITIES

The company makes investments in the form of equity and loans to high technology companies based on the Aston Science Park in Birmingham.

RESULTS AND TRADING

The results for the year are set out on page 4. The loss for the year of £6,142 has been transferred from reserves.

The directors do not propose to pay a dividend in respect of the financial year.

DIRECTORS AND THEIR SHARE INTERESTS

The directors during the year and up to the date of this report were:

ALS Jackson	(Chairman)
Sir FW Crawford	
MJ Brooks	
PA Turle	(resigned 18 July 1995)
T Regan	(appointed 18 July 1995)

None of the directors had any interest (beneficial or otherwise) in the share capital of the company at 30 June 1996 or at any time during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each 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;
- 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 assume that the company will continue in business.

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1996 (CONTINUED)

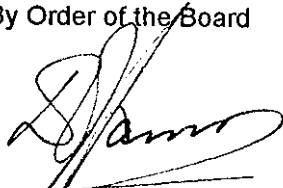
STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

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.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to be re-appointed. A resolution for their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in dark ink, appearing to read 'DW Harris', is written over a horizontal line.

DW HARRIS
Secretary

26 November 1996

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 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 mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

26 November 1996

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
TURNOVER			
Directors' fees		12,612	14,852
Interest receivable on loans to investee companies	2	7,391	13,969
Other operating income		<u>4,488</u>	<u>8,198</u>
		24,491	37,019
Administrative expenses		(48,398)	(62,763)
Amounts written off investments	6	<u>-</u>	<u>(40,000)</u>
OPERATING LOSS		(23,907)	(65,744)
Interest receivable	2	<u>17,765</u>	<u>15,835</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(6,142)	(49,909)
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	12	<u>(£6,142)</u>	<u>(£49,909)</u>

The results of the company arise entirely from the continuing activities of the company.

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

BALANCE SHEET AS AT 30 JUNE 1996

	Notes	1996	1995
FIXED ASSETS			
Investments	6	591,385	591,385
CURRENT ASSETS			
Debtors	7	384,885	404,760
Cash at bank	8	-	65
		384,885	404,825
CREDITORS (amounts falling due within one year)	9	<u>(483,342)</u>	<u>(497,140)</u>
NET CURRENT LIABILITIES		<u>(98,457)</u>	<u>(92,315)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		492,928	499,070
Provisions for liabilities and charges	10	-	-
		<u>£492,928</u>	<u>£499,070</u>
CAPITAL AND RESERVES			
Called up equity share capital	11	5,500	5,500
Profit and loss account	12	<u>(1,112,572)</u>	<u>(1,106,430)</u>
Equity shareholders' funds		<u>(1,107,072)</u>	<u>(1,100,930)</u>
Non-equity shareholders' funds	11	<u>1,600,000</u>	<u>1,600,000</u>
TOTAL SHAREHOLDERS FUNDS		<u>£492,928</u>	<u>£499,070</u>

Approved by the Board and signed on its behalf on 26 November 1996

DIRECTOR



BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 1996

	<u>1996</u>	<u>1995</u>
Loss for the financial year	(6,142)	(49,909)
	<u> </u>	<u> </u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	(£6,142)	(£49,909)
	<u> </u>	<u> </u>

NOTE OF HISTORICAL COST PROFIT AND LOSSES

There is no difference between the loss before taxation and the retained loss for the year as shown in the profit and loss account and their historical equivalents.

MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1996</u>	<u>1995</u>
Loss for the financial year	(6,142)	(49,909)
	<u> </u>	<u> </u>
NET REDUCTION TO SHAREHOLDERS' FUNDS	(6,142)	(49,909)
OPENING SHAREHOLDERS' FUNDS	<u>499,070</u>	<u>548,979</u>
CLOSING SHAREHOLDERS' FUNDS	<u>£492,928</u>	<u>£499,070</u>

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996

1 ACCOUNTING POLICIES

(1) Basis of preparation

The accounts are prepared under the historical cost convention, as modified by the valuation of investments set out in Note 1 (2) below, and in accordance with applicable accounting standards.

(2) Investments

Investments in investee companies are stated at cost except where the directors become aware of any diminution in value that they consider to be permanent, in which case provision is made for such diminution. Provisions are made in accordance with the guidelines issued in March 1991 by the British Venture Capital Association.

Having regard to the nature of the company's activities the directors do not consider that the company exercises any significant influence in respect of associated undertakings, being those in which the company holds in excess of 20% but not more than 50% of the voting share capital. The company's share of associated companies' post acquisition profits and losses is not therefore reflected in the financial statements. Furthermore, as the shareholders of the company have regular access to financial information on investee companies, the directors consider that disproportionate expense and undue delay would be incurred by disclosing details of investee companies on the equity basis of accounting.

(3) Turnover

Turnover represents income received and receivable in the year in respect of directors' fees, dividends and interest from investee companies.

(4) Deferred taxation

Deferred taxation relating to capital allowances and other timing differences is only provided in the financial statements where there is a reasonable probability that taxation will become payable in the foreseeable future.

(5) Statement of cash flows

As the company qualifies as a small company, as defined in Section 247 Companies Act 1985, the company has exercised its right in accordance with Financial Reporting Standard 1 not to produce a statement of cash flows.

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996 (CONTINUED)

2 INTEREST RECEIVABLE

	<u>1996</u>	<u>1995</u>
On money market deposits	17,765	15,835
On loans to investee companies	<u>7,391</u>	<u>13,969</u>
	<u>£25,156</u>	<u>£29,804</u>

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after charging the following amounts:

	<u>1996</u>	<u>1995</u>
	£	£
Management fee payable to parent undertaking	37,327	43,316
Auditors' remuneration		
- audit fees	5,000	5,000
- non-audit fees	8,000	11,000
Amounts written off fixed asset investments	-	40,000
	<u> </u>	<u> </u>

None of the directors received any emoluments during the year in respect of their services to the company.

4 TAX ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge on the loss for the year.

There is no provision for deferred tax.

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996 (CONTINUED)

5 DIVIDENDS PAID AND PROPOSED

Birmingham City Council and Lloyds Bank PLC may jointly, but not otherwise, waive or postpone the payment of any dividend in respect of the Cumulative Redeemable Preference Shares held by them.

The following preference dividends have been waived:

Period ended:	<u>Paid and proposed</u> £	<u>Waived</u> £	<u>Total due</u> £
31 March 1988	-	26,196	26,196
30 June 1989	90,556	58,844	149,400
30 June 1990	-	149,400	149,400
30 June 1991	-	149,400	149,400
30 June 1992	-	149,400	149,400
30 June 1993	-	149,400	149,400
30 June 1994	-	149,400	149,400
30 June 1995	-	149,400	149,400
30 June 1996	-	149,400	149,400

6 FIXED ASSET INVESTMENTS

<u>Cost</u>	<u>Investee companies</u>		<u>Total</u>
	<u>Shares at cost</u>	<u>Loans</u>	
At 30 June 1995	836,885	153,000	989,885
Additions	-	-	-
Amounts written off	(20,000)	(42,000)	(62,000)
At 30 June 1996	816,885	111,000	927,885
<u>Provisions</u>			
At 30 June 1995	316,250	82,250	398,500
Amounts written off	(20,000)	(42,000)	(62,000)
Additions	-	-	-
At 30 June 1996	296,250	40,250	336,500
<u>Net book amount</u>			
At 30 June 1996	£520,635	£70,750	£591,385
At 30 June 1995	£520,635	£70,750	£591,385

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996 (CONTINUED)

6 FIXED ASSET INVESTMENTS (CONTINUED)

Investments in investee companies, all of which are incorporated in the United Kingdom and unlisted, are detailed as follows:

<u>Name of company</u>	<u>30 June 1996</u>		<u>Details of share holding</u>	<u>Per-centage holding</u>
	<u>Shares at cost</u>	<u>Loans</u>		
Techsonix Limited	56,985	-	25 Ordinary shares of £1 each	12.5%
Tech-Ni-Plant Limited	252,000	-	9,608 Ordinary shares of £1 each 20,000 Cumulative redeemable preference shares of £1 each	41.6%
Management and Control Technology Associates Limited	37,000	61,000	37,000 Cumulative redeemable preference shares of £1 each	-
Cimtel Limited	88,900	-	43,350 Ordinary shares of £1 each	26.8%
Aston Molecules	160,000	-	894 Cumulative convertible participating preferred ordinary shares of £1 each	35%
AD2 Limited	100,000	-	100,000 Ordinary shares of £1 each	50%
The Logistics Business Limited	122,000	50,000	22,000 Ordinary shares of £1 each 100,000 Preference shares of £1 each	40%
	<u>£816,885</u>	<u>£111,000</u>		

The Company has written off its investment in Walmsley Microsystems Limited during the year. This investment was fully provided against at 30 June 1995.

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996 (CONTINUED)

6 FIXED ASSET INVESTMENTS (CONTINUED)

The directors have made provisions for permanent diminution in the value of investments, in accordance with the guidelines issued in March 1991 by the British Venture Capital Association. Because of the nature of the investments, many of which are at an early stage of development, it is not possible to determine, in the opinion of the directors, whether any further provision for permanent diminution in value is necessary.

7 DEBTORS

	<u>1996</u>	<u>1995</u>
Trade debtors	32,897	76,841
Amounts owed by the parent undertaking	316,061	267,657
Other debtors	29,152	36,338
Prepayments and accrued income	<u>6,775</u>	<u>23,924</u>
	<u>£384,885</u>	<u>£404,760</u>

Included within trade debtors above is £28,050 (1995 - £28,050) which is due outside one year.

8 CASH AT BANK AND IN HAND

	<u>1996</u>	<u>1995</u>
Cash in hand	£-	£65
	<u> </u>	<u> </u>

9 CREDITORS (amounts falling due within one year)

	<u>1996</u>	<u>1995</u>
Loans:		
City of Birmingham District Council	200,000	200,000
Lloyds Bank plc	200,000	200,000
Amounts owed to fellow subsidiary undertakings	23,888	43,884
Group tax relief payable	48,672	48,672
Other taxation (VAT)	4,110	-
Accruals and deferred income	<u>6,672</u>	<u>4,584</u>
	<u>£483,342</u>	<u>£497,140</u>

Both loans are repayable on demand. Interest is payable at an annual rate of 1% over the Lloyds Bank Plc base rate. However by agreement with both lenders, no interest has been charged during the year.

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996 (CONTINUED)

10 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

There is no provision for deferred tax (1995 - £Nil).

The potential deferred taxation, calculated on the liability method at 33% (1995 - 33%), is as follows:

	<u>1996</u>	<u>1995</u>
Accelerated capital allowances	(548)	(731)
Short term timing differences	25,003	24,629
Surplus management expenses carried forward (restricted)	<u>(24,455)</u>	<u>(23,898)</u>
	<u>£-</u>	<u>£-</u>

11 CALLED UP SHARE CAPITAL

Authorised:

Equity

	<u>1996</u>	<u>1995</u>
'A' Ordinary shares of £1 each	5,000	5,000
'B' Ordinary shares of £1 each	5,000	5,000

Non-equity

12.45% (9.3375% net) Cumulative Redeemable
Preference shares of £1 each

<u>1,600,000</u>	<u>1,600,000</u>
£1,610,000	£1,610,000

Allotted and fully paid:

Equity

'A' Ordinary shares of £1 each	5,000	5,000
'B' Ordinary shares of £1 each	500	500

Non-equity

12.45% (9.3375% net) Cumulative Redeemable
Preference shares of £1 each

<u>1,600,000</u>	<u>1,600,000</u>
£1,605,500	£1,605,500

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996 (CONTINUED)

11 CALLED UP SHARE CAPITAL (CONTINUED)

The company's shares carry the following rights:

'A' Ordinary and 'B' Ordinary shares of £1 each

The 'A' Ordinary Shares and the 'B' Ordinary Shares of £1 each in the capital of the Company rank pari passu with each other and every 'A' and 'B' Ordinary shareholder is entitled to receive a notice of and to attend at any general meeting and has one vote on a show of hands and on a poll one vote for each 'A' and one vote for each 'B' Ordinary Share of which he is the holder.

Without the prior consent in writing of the holders of all the Preference Shares until all the Preference Shares have been redeemed the 'A' and 'B' Ordinary Shares are not entitled to any distribution or dividend other than the right in a winding up to full participation in assets after repayment of the capital paid up or credited as paid up on the Preference Shares and payment of all arrears and accumulations of preferential dividend.

Cumulative Redeemable Preference shares of £1 each

Holders of the Cumulative Redeemable Preference Shares ("The Preference Shares") are entitled to a payment of dividend 12.45% (gross) on the amount paid up, or credited as paid up, on the Preference Shares payable half yearly in arrears on 30 June and 31 December in each year.

The Preference Shares do not entitle the holders to any further or other participation in the profits of the company.

The holders of the Preference Shares are entitled to the repayment of the capital and all arrears and accumulations of preferential dividend in the case of the company being wound up. The Preference Shares do not entitle the holders to participate in any of the company's remaining assets.

The Preference Shares do not carry any voting rights.

12 PROFIT AND LOSS ACCOUNT

	<u>1996</u>
At 30 June 1995	
Loss for the year	(1,106,430)
	<u>(6,142)</u>
At 30 June 1996	(£1,112,572)

13 SUBSEQUENT EVENTS

Aston Molecules

On 19 September 1996 the Company exchanged its share holding in Aston Molecules Limited for 99,403 ordinary shares in Oncogene Science Inc, a company quoted on NASDAQ.

Recent quoted share prices of Oncogene Science Inc indicate that the carrying value of Aston Molecules Limited at 30 June 1996, as recorded in these financial statements, is appropriate.

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996 (CONTINUED)

14 PARENT UNDERTAKING

The parent undertaking is Birmingham Technology Limited, a company incorporated in Great Britain. A copy of the group accounts can be obtained from the Company Secretary, Birmingham Technology Limited, Aston Science Park, Love Lane, Birmingham B7 4BJ.