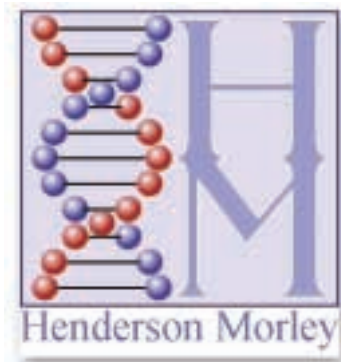


# **Henderson Morley plc**



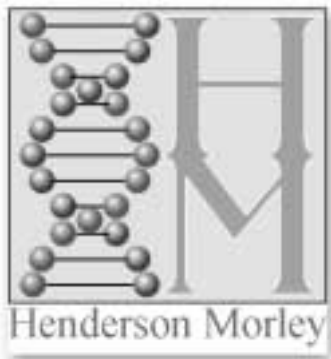
Report of the Directors and Financial Statements  
for the Year Ended 30 April 2002  
for  
HENDERSON MORLEY PLC AND  
SUBSIDIARY UNDERTAKINGS



# Contents of the Financial Statements

for the Year Ended 30 April 2002

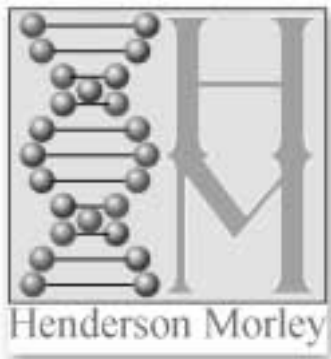
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## Company Information

for the Year Ended 30 April 2002

DIRECTORS:	A N Knight Dr I S Pardoe C R Pate M Fowler
SECRETARY:	C R Pate
REGISTERED OFFICE:	Metropolitan House 2 Salisbury Road Moseley Birmingham West Midlands B13 8JS
REGISTERED NUMBER:	3951745 (England and Wales)
AUDITORS:	Moore Stephens Registered Auditors Chartered Accountants Charterhouse Legge Street Birmingham B4 7EU
NOMINATED ADVISOR:	Brewin Dolphin Securities Limited 34 Lisbon Street Leeds LS1 4LX
SOLICITORS TO THE COMPANY:	Wragge & Co 55 Colmore Row Birmingham B3 2AS
REGISTRARS	Neville Registrars Neville House 18 Laurel Lane Halesowen West Midlands B63 6DA
FINANCIAL PUBLIC RELATIONS	Barnes and Walters 4-5 North Mews London WC1N 2JP



## CHAIRMAN'S STATEMENT

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For the Year ended 30 April 2002

I am pleased to announce our financial results for the twelve months to 30 April 2002.

Turnover for the period under review was £22,270 (2001: £29,225). Research and development and administrative expenses for the year amounted to £598,492 (2001: £673,377), which resulted in a reduced loss of £587,058 (2001: £638,771). At present, the Company has no income other than from sales of nutraceuticals derived from the website.

We have continued to control costs and are pleased that we have been able to reduce the loss for the year before taxation by £51,713. Cash at Bank as at 30 April 2002 was £398,761 and in June 2002 we raised a further £240,000. Our burn rate is a consistent £40,000 per month and therefore we have sufficient funds for at least the next 12 months.

As I mentioned in my Interim Statement, we made the move up from OFEX to the Alternative Investment Market in September 2001 and have now raised a total of £1.225 million on this market. I would like to take this opportunity to welcome all our new shareholders.

In March we announced the signing of an assignment agreement with the Medical Research Council for the PREPS Vaccine and it is the Company's intention to seek an out licence with a third party for this progressive technology. This assignment agreement gives Henderson Morley the sole and exclusive rights to develop, manufacture and market PREPS.

This has been an active year in which the Company has continued to attract the attention of large pharmaceutical companies with a view to negotiating potential licensing opportunities. These negotiations are continuing for both the eye, skin and wart applications of our in-house platform technology, ICVT (Ionic Contra Viral Therapy), and the PREPS vaccine technology.

Work on ICVT and its potential applications has continued in the laboratory, and also at two Centers of Excellence in the USA and we are very pleased with the progress made in this respect. We have attended two international trade shows; at both shows, numerous one-to-one meetings were held with a number of large pharmaceutical companies, some of which resulted in further specific meetings with Henderson Morley. As a result we are continuing with those discussions and have signed up a further seven confidentiality agreements with pharmaceutical companies.

In June 2002, we announced the appointment of Prof. James Hill to the Scientific Advisory Board. Prof Hill is a Professor of Ophthalmology, Neuroscience, Pharmacology & Microbiology at the Louisiana State University Health Sciences Center.

We have also retained the services of three consultants to advise on licensing and partner opportunities in Europe, South East Asia and Japan.

Looking to the future, we are continuing to work under the Material Transfer Agreement still in place with the original party for an eye application for ICVT. In April 2002 we extended the evaluation period by a further 12 months, and we are currently working on formulation, dose ranging and efficacy for this application ICVT with our nominated scientist. I hope to be able to report more fully on this in my interim statement.

As part of our ongoing commitment to keep our shareholders informed, we have re-vamped the Henderson Morley website and have included an area for investors where they can review and download all announcements and documents.

**Andrew Knight**  
**Executive Chairman**

## Report of the Directors

for the Year Ended 30 April 2002

The directors present their report with the financial statements of the company for the year ended 30 April 2002.

### PRINCIPAL ACTIVITY

The company controls a subsidiary undertaking engaged in the development of drugs and vaccines for the pharmaceutical industry.

### REVIEW OF BUSINESS

The results for the year and financial position of the group are as shown in the annexed financial statements.

The directors are satisfied with the results which are in line with the projections contained within the prospectus. They are confident that the research and development programme will lead to outlicencing agreements being signed with pharmaceutical partners within the foreseeable future, which will produce an income stream initially from milestone payments and ultimately from royalties from drug sales.

### DIVIDENDS

The company paid no dividend during the year.

### DIRECTORS

The directors during the year under review were:

A N Knight  
Dr I S Pardoe  
C R Pate  
M Fowler

The beneficial interests of the directors holding office on 30 April 2002 in the issued share capital of the company were as follows:

	<b>30.4.02</b>	<b>1.5.01</b>
	<b>Number of Ordinary Shares of .125p each</b>	<b>Number of Ordinary Shares of 1p each</b>
A N Knight	67,598,210	8,445,870
Dr I S Pardoe	32,576,450	4,066,400
C R Pate	250,000	-
M Fowler	-	-

## SHARE OPTIONS

Number of .125p Ordinary Shares under option:-

	Number at 30 April 2001	Granted in Year	Lapsed in Year	Number at 30 April 2002	Exercise price (pence)	Date of Grant
A N Knight	4,000,000	-	-	4,000,000	6.25	30.3.2000(1)
A N Knight	-	1,600,000	-	1,600,000	8.	23.8.2001(3)
Dr I Pardoe	4,000,000	-	-	4,000,000	6.25	30.3.2000(1)
Dr I Pardoe	-	1,600,000	-	1,600,000	8.	23.8.2001(4)
C R Pate	800,000	-	-	800,000	6.25	30.3.2000(1)
C R Pate	-	400,000	-	400,000	8.	23.8.2001(3)
Griffiths & Lamb Limited	3,200,000	-	(3,200,000)	-	6.25	30.3.2000(2)
Iken Communications Limited	800,000	-	-	800,000	6.25	30.3.2000(2)
Iken Communications Limited	-	800,000	-	800,000	8.	23.8.2001(3)
M Fowler	-	400,000	-	400,000	8.	23.8.2001(3)
C Hartley	-	400,000	-	400,000	8.	23.8.2001(4)
M Hartley	-	160,000	-	160,000	8.	23.8.2001(4)
V Patel	-	80,000	-	80,000	8.	23.8.2001(4)

(1) Denotes unapproved options exercisable from 30.3.2001 to 29.3.2005

(2) Denotes unapproved options exercisable from 22.5.2000 to 21.5.2005

(3) Denotes unapproved options exercisable from 11.9.2002 to 10.9.2006

(4) Denotes options granted under the Enterprise Management Incentive regime exercisable from 11.9.2002 to 10.9.2006

## SUBSTANTIAL SHAREHOLDERS

The directors have been notified and are aware of the following interests in 3% or more of the Issued Ordinary Share Capital of the Company at 30 April 2002.

Shareholders	Number of Shares	Percentages
A N Knight	67,598,210	45.17
Dr I S Pardoe	32,576,450	21.77
Iken Communications Limited	8,000,000	5.34

## SUPPLIERS

The company and its subsidiaries recognise the importance of maintaining good business relationships with its suppliers and is committed to paying all invoices in accordance with agreed terms. The average number of days credit taken to pay suppliers was 30 days.

**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.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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, Moore Stephens, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

.....  
C R Pate – SECRETARY

Dated: 8 August 2002

# Report of the Independent Auditors to the Shareholders of HENDERSON MORLEY PLC AND SUBSIDIARY UNDERTAKINGS

We have audited the financial statements of HENDERSON MORLEY PLC AND SUBSIDIARY UNDERTAKINGS for the year ended 30 April 2002 on pages seven to twenty-one. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

## Respective responsibilities of directors and auditors

As described on page five the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with 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 Report of the Directors 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 with the company and other members of the group is not disclosed.

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

## Basis of audit opinion

We conducted our audit in accordance with 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 judgments 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 affairs of the group and of the company as at 30 April 2002 and the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moore Stephens  
Registered Auditors  
Chartered Accountants  
Charterhouse  
Legge Street  
Birmingham  
B4 7EU

Dated: 8 August 2002

## Profit and Loss Account

for the Year Ended 30 April 2002

	Notes	£	30.4.02 £	Period 15.3.00 to 30.4.01 £	£
<b>TURNOVER</b>	2		22,270		29,225
Cost of sales			10,765		10,052
<b>GROSS PROFIT</b>			11,505		19,173
Administrative expenses		387,885		417,016	
Research and Development		210,607	598,492	256,361	673,377
<b>OPERATING LOSS</b>	4		(586,987)		(654,204)
Interest receivable and similar income			5,176		18,505
			(581,811)		(635,699)
Interest payable and similar charges	5		5,247		3,072
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			(587,058)		(638,771)
Tax on loss on ordinary Activities	6		(44,105)		(43,267)
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>			(542,953)		(595,504)
Deficit brought forward			(595,504)		-
<b>DEFICIT CARRIED FORWARD</b>			£(1,138,457)		£(595,504)
Basic and Diluted Loss per Ordinary Share	7		(0.40p)		(0.50p)

### CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current and previous years.

### TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the losses for the current and previous years.

## Balance Sheet

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30 April 2002

	Notes	£	30.4.02 £	£	30.4.01 £
<b>FIXED ASSETS:</b>					
Intangible assets	8		171,045		185,785
Tangible assets	9		117,654		150,731
			<u>288,699</u>		<u>336,516</u>
<b>CURRENT ASSETS:</b>					
Stocks	10	22,316		21,949	
Debtors	11	93,340		88,215	
Cash at bank		398,761		32,754	
		<u>514,417</u>		<u>142,918</u>	
<b>CREDITORS:</b> Amounts falling due within one year	12	122,991		78,042	
			<u>391,426</u>		<u>64,876</u>
<b>NET CURRENT ASSETS:</b>					
			<u>680,125</u>	<u>401,392</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>					
<b>CREDITORS:</b> Amounts falling due after more than one year	13		22,014		19,926
			<u>£658,111</u>		<u>£381,466</u>
<b>CAPITAL AND RESERVES:</b>					
Called up share capital	16		187,053		150,022
Share premium	17		1,609,515		826,948
Profit and loss account			(1,138,457)		(595,504)
<b>EQUITY SHAREHOLDERS' FUNDS:</b>	20		<u>£658,111</u>		<u>£381,466</u>

ON BEHALF OF THE BOARD:

.....

A N Knight - DIRECTOR

Approved by the Board on: 8 August 2002

	Notes	£	30.4.02 £	£	30.4.01 £
<b>FIXED ASSETS:</b>					
Investments	23		130,145		130,145
<b>CURRENT ASSETS:</b>					
Debtors	11	152,882		212,710	
Cash at bank		387,161		35,948	
			<u>540,043</u>	<u>248,658</u>	
<b>NET CURRENT ASSETS:</b>			<u>540,043</u>		<u>248,658</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>			<u>£670,188</u>		<u>£378,803</u>
<b>CAPITAL AND RESERVES:</b>					
Called up share capital	16		187,053		150,022
Share premium	17		1,609,515		826,948
Profit and loss account			(1,126,380)		(598,167)
<b>EQUITY SHAREHOLDERS' FUNDS</b>			<u>£670,188</u>		<u>£378,803</u>

ON BEHALF OF THE BOARD:

.....  
A N Knight - DIRECTOR

Approved by the Board on: 8 August 2002

## Cash Flow Statement

for the Year Ended 30 April 2002

	Notes	30.4.02		Period 15.3.00 to 30.4.01	
		£	£	£	£
<b>Net cash outflow from operating activities</b>	1		(541,150)		(676,650)
<b>Returns on investments and servicing of finance</b>	2		(71)		15,433
<b>Taxation</b>			43,345		-
<b>Capital expenditure</b>	2		(625)		(168,832)
<b>Acquisitions and disposals</b>	2		-		18,007
			<u>(498,501)</u>		<u>(812,042)</u>
<b>Financing</b>	2		864,508		844,796
<b>Increase in cash in the period</b>			<u>£366,007</u>		<u>£32,754</u>
<b>Reconciliation of net cash flow to movement in net funds</b>	3				
<b>Increase in cash in the period</b>			366,007		32,754
Cash outflow from decrease in debt and lease financing			<u>5,677</u>		<u>2,174</u>
Change in net funds resulting from cash flows			371,684		34,928
New finance leases			<u>(10,000)</u>		<u>(24,999)</u>
<b>Movement in net funds in the year</b>			361,684		9,929
<b>Net funds at 1 May 2001</b>			<u>9,929</u>		-
<b>Net funds at 30 April 2002</b>			<u>£371,613</u>		<u>£9,929</u>

## Notes to the Cash Flow Statement

for the Year Ended 30 April 2002

### 1. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	30.4.02	Period to 30.4.01
	£	£
Operating loss	(586,987)	(654,204)
Depreciation charges	48,442	62,370
Increase in stocks	(367)	(21,331)
Increase in debtors	(4,365)	(42,730)
Increase in creditors	2,127	(20,755)
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(541,150)</b>	<b>(676,650)</b>
	<hr/> <hr/>	<hr/> <hr/>

### 2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	30.4.02	Period to 30.4.01
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	5,176	18,505
Interest paid	(1,303)	(722)
Interest element of hire purchase payments	(3,944)	(2,350)
	<hr/>	<hr/>
Net cash (outflow)/inflow for returns on investments and servicing of finance	(71)	15,433
	<hr/> <hr/>	<hr/> <hr/>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(625)	(168,832)
	<hr/>	<hr/>
Net cash outflow for capital expenditure	(625)	(168,832)
	<hr/> <hr/>	<hr/> <hr/>
<b>Acquisitions and disposals</b>		
Cash acquired with subsidiary	-	18,007
	<hr/>	<hr/>
Net cash inflow for acquisitions and disposals	-	18,007
	<hr/> <hr/>	<hr/> <hr/>

**2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT - continued**

	30.4.02	Period to 30.4.01
	£	£
<b>Financing</b>		
New loans taken out in year	40,000	-
Loan repayments in year	(4,375)	-
Hire purchase repayments in the year	(5,677)	(2,174)
Amount introduced by directors	14,962	-
Cash receipt re share issue after expenses	819,598	846,970
Net cash inflow from financing	<u>864,508</u>	<u>844,796</u>

**3. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.5.01	Other non-cash Cash flow	changes	At 30.4.02
	£	£	£	£
Net cash:				
Cash at bank	32,754	366,007		398,761
	<u>32,754</u>	<u>366,007</u>		<u>398,761</u>
Debt:				
Hire purchase	(22,825)	5,677	(10,000)	(27,148)
	<u>(22,825)</u>	<u>5,677</u>	<u>(10,000)</u>	<u>(27,148)</u>
Total	<u>9,929</u>	<u>371,684</u>	<u>(10,000)</u>	<u>371,613</u>

**Analysed in Balance Sheet**

Cash at bank	32,754	398,761
Hire purchase		
within one year	(2,899)	(23,259)
after one year	(19,926)	(3,889)
	<u>9,929</u>	<u>371,613</u>

## Notes to the Financial Statements

for the Year Ended 30 April 2002

### 1. ACCOUNTING POLICIES

#### Accounting convention

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

The principal activity of the group is the development of drugs and vaccines, both through its own research and through collaborative agreement with pharmaceutical companies. The group may require further funding to complete its technology before it is able to generate revenues. On the 13 June 2002 the company raised £232,800 by a placing of 8,727,276 ordinary shares and the funds have been received. Following this fundraising, the directors consider that the company and group has sufficient funds to continue its current operations for the foreseeable future and have prepared these statements on the going concern basis.

#### Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

#### Goodwill

Goodwill, being the amount arising on consolidation, is being written off over its estimated useful life of 10 years.

#### Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Leasehold property	- Straight line over 10 years
Fixtures and fittings	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance
Website	- Straight line over 5 years

#### Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### Research and development

Expenditure on research and development is written off in the year in which it is incurred.

#### Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

#### Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

#### Basis of Consolidation

All subsidiaries have coterminous financial year ends.

#### Intangible assets - Know how and patents

The group is engaged in the development of a vaccine. The initial expenditure incurred on the acquisition from a third party of know how and intellectual property rights have been capitalised and will be written off when a payback is achieved.

#### Operating leases

Rental payments in respect of operating leases are charged against operating profit as incurred.

**2. TURNOVER**

Turnover was derived from the Group's sale of products via its world-wide web site, from the following geographical areas:-

	<b>30.4.02</b>	<b>Period to 30.4.01</b>
	<b>£</b>	<b>£</b>
UK	6,538	5,845
Rest of the World	15,732	23,380
	<u>22,270</u>	<u>29,225</u>

**3. STAFF COSTS**

	<b>30.4.02</b>	<b>Period to 30.4.01</b>
	<b>£</b>	<b>£</b>
Wages and salaries	263,054	253,562
Social security costs	31,310	24,860
Other pension costs	1,500	2,100
	<u>295,864</u>	<u>280,522</u>

The average monthly number of employees during the year was as follows:

	<b>30.4.02</b>	<b>Period to 30.4.01</b>
	<b>£</b>	<b>£</b>
Research and development	3	3
Management and administration	3	2
	<u>6</u>	<u>5</u>

**4. OPERATING LOSS**

The operating loss is stated after charging:

	<b>30.4.02</b>	<b>Period to 30.4.01</b>
	<b>£</b>	<b>£</b>
Operating Lease Payments	2,149	11,390
Depreciation - owned assets	28,036	38,297
Depreciation - assets on hire purchase contracts	5,666	9,333
Goodwill written off Auditors' remuneration	14,740	14,740
	<u>5,000</u>	<u>5,000</u>
Directors' emoluments	<u>214,681</u>	<u>204,564</u>

Information regarding the highest paid director is as follows:

	<b>30.4.02</b>	<b>Period to 30.4.01</b>
	<b>£</b>	<b>£</b>
Emoluments etc	93,177	87,511
Pension Costs	-	-

## 5. INTEREST PAYABLE AND SIMILAR CHARGES

	<b>30.4.02</b>	<b>Period to 30.4.01</b>
	<b>£</b>	<b>£</b>
Bank interest	689	722
Bank loan interest	614	-
Hire purchase interest	3,944	2,350
	5,247	3,072

## 6. TAXATION

### Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows:

	<b>30.4.02</b>	<b>Period to 30.4.01</b>
	<b>£</b>	<b>£</b>
Corporation tax recoverable	(44,105)	(43,267)
Tax on loss on ordinary activities	(44,105)	(43,267)

## 7. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £542,953 (2001 £595,504) by the weighted average number of ordinary shares in issue during the year - 134,756,299 (2001 - 120,017,600).

The numbers used for the year and prior period have been adjusted to reflect the 8 for 1 split which took place on 6 September 2001.

**8. INTANGIBLE FIXED ASSETS - GROUP**

	<b>Know How £</b>	<b>Goodwill £</b>	<b>Patents and licences £</b>	<b>Totals £</b>
<b>COST:</b>				
At 1 May 2001 and 30 April 2002	5,620	147,404	47,501	200,525
<b>AMORTISATION:</b>				
At 1 May 2001	-	14,740	-	14,740
Charge for year	-	14,740	-	14,740
At 30 April 2002	-	29,480	-	29,480
<b>NET BOOK VALUE:</b>				
At 30 April 2002	5,620	117,924	47,501	171,045
At 30 April 2001	5,620	132,664	47,501	185,785

**9. TANGIBLE FIXED ASSETS - GROUP**

	<b>Leasehold property £</b>	<b>Equipment, Fittings and fixtures £</b>	<b>Motor vehicles £</b>	<b>Website £</b>	<b>Totals £</b>
<b>COST:</b>					
At 1 May 2001	32,000	66,192	65,709	38,600	202,501
Additions	-	625	-	-	625
At 30 April 2002	32,000	66,817	65,709	38,600	203,126
<b>DEPRECIATION:</b>					
At 1 May 2001	2,667	22,238	19,165	7,700	51,770
Charge for year	3,200	11,146	11,636	7,720	33,702
At 30 April 2002	5,867	33,384	30,801	15,420	85,472
<b>NET BOOK VALUE:</b>					
At 30 April 2002	26,133	33,433	34,908	23,180	117,654
At 30 April 2001	29,333	43,954	46,544	30,900	150,731

Fixed assets, included in the above, which are held under hire purchase contracts, are as follows:

	<b>Motor vehicles</b>
	<b>£</b>
<b>COST:</b>	
At 1 May 2001 and 30 April 2002	31,999
<b>DEPRECIATION:</b>	
At 1 May 2001	9,333
Charge for year	5,666
At 30 April 2002	14,999
<b>NET BOOK VALUE:</b>	
At 30 April 2002	17,000
At 30 April 2001	22,666

#### 10. STOCKS - GROUP

	<b>30.4.02</b>	<b>30.4.01</b>
	<b>£</b>	<b>£</b>
Goods for resale	22,316	21,949

#### 11. DEBTORS: AMOUNTS FALLING

DUE WITHIN ONE YEAR

	<b>Parent</b>	<b>30.4.02</b>	<b>30.4.01</b>	<b>Group</b>
	<b>Undertaking</b>	<b>Group</b>	<b>Parent</b>	<b>Group</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	-	906	-	19,160
Prepayments	-	32,879	-	8,328
Vat	-	15,528	-	17,460
Corporation Tax Recoverable	-	44,027	-	43,267
Subsidiary Undertaking	152,882	-	212,710	-
	<u>152,882</u>	<u>93,340</u>	<u>212,710</u>	<u>88,215</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - GROUP**

	<b>30.4.02</b>	<b>30.4.01</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts (see note 14)	7,500	-
Trade creditors	28,209	17,635
Hire purchase	23,259	2,899
Associated company	-	848
Directors' current accounts	14,962	-
Social security & other taxes	18,661	41,522
Accrued expenses	30,400	15,138
	<u>122,991</u>	<u>78,042</u>
	<u><u>122,991</u></u>	<u><u>78,042</u></u>

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - GROUP**

	<b>30.4.02</b>	<b>30.4.01</b>
	<b>£</b>	<b>£</b>
Bank loans (see note 14)	18,125	-
Hire purchase contracts (see note 15)	3,889	19,926
	<u>22,014</u>	<u>19,926</u>
	<u><u>22,014</u></u>	<u><u>19,926</u></u>

**14. LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

	<b>30.4.02</b>	<b>30.4.01</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year or on demand:		
Bank loans	7,500	-
	<u>7,500</u>	<u>-</u>
Amounts falling due between one and two years:		
Bank loans	7,500	-
	<u>7,500</u>	<u>-</u>
Amounts falling due between two and five years:		
Bank loans	10,625	-
	<u>10,625</u>	<u>-</u>
	<u><u>10,625</u></u>	<u><u>-</u></u>

**15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES**

	<b>Hire purchase contracts</b>	
	<b>30.4.02</b>	<b>30.4.01</b>
	<b>£</b>	<b>£</b>
Gross obligations repayable:		
Between one and five years	5,085	23,727
	<u>          </u>	<u>          </u>
Finance charges repayable:		
Between one and five years	1,196	3,801
	<u>          </u>	<u>          </u>
Net obligations repayable:		
Between one and five years	3,889	19,926
	<u>          </u>	<u>          </u>

The following payments are committed to be paid within one year:

	<b>Operating leases</b>	
	<b>30.4.02</b>	<b>30.4.01</b>
	<b>£</b>	<b>£</b>
Expiring:		
In more than five years	25,020	25,020
	<u>          </u>	<u>          </u>

**16. CALLED UP SHARE CAPITAL**

Authorised:

<b>Number:</b>	<b>Class:</b>	<b>Nominal value:</b>	<b>30.4.02</b>	<b>30.4.01</b>
			<b>£</b>	<b>£</b>
200,000,000	Ordinary shares	0.125p	250,000	250,000
(30.4.01 - 25,000,000 of 1p each)			<u>          </u>	<u>          </u>

Allotted, issued and fully paid:

<b>Number:</b>	<b>Class:</b>	<b>Nominal value:</b>	<b>30.4.02</b>	<b>30.4.01</b>
			<b>£</b>	<b>£</b>
149,642,600	Ordinary shares	0.125p	187,053	150,022
(30.4.01 - 15,002,200 of 1p each)			<u>          </u>	<u>          </u>

On 6 September 2001, the Ordinary Shares of 1p each were split into 8 Ordinary Shares of .125 each. On the same date, the company issued 18,125,000 Ordinary Shares of .125p each at a value of 4p each, raising £434,023 after expenses.

The company obtained a listing on the Alternative Investment Market on the 11 September 2001.

On the 15 November 2001, the company issued 6,500,000 Ordinary Shares of .125p each at a value of 4p each, raising £252,200 after expenses.

On the 29 April 2002, the company issued 5,000,000 Ordinary Shares of .125p each at a value of 2.75p each, raising £133,375 after expenses.

All issues were made to fund the "Group's" continuing research and development.

#### 17. SHARE PREMIUM

	<b>30.4.02</b>	<b>Period 15.3.00 to 30.4.01</b>
	<b>£</b>	<b>£</b>
Brought forward	826,948	-
Cash share issue	1,085,469	981,078
Expenses of Share Issue	(302,902)	(154,130)
	<u>1,609,515</u>	<u>826,948</u>

#### 18. CONTINGENT LIABILITIES

The company has an obligation to service worldwide patents and licence payments at a cost of approximately £15,000 per annum. The Smart Award received of £45,000 in year to 28 February 2000 may become payable if the company does not adhere to the rules of the award for three years from the date of final receipt.

#### 19. CAPITAL COMMITMENTS

	<b>30.4.02</b>	<b>30.4.01</b>
	<b>£</b>	<b>£</b>
Contracted but not provided for in the In the financial statements	<u>-</u>	<u>-</u>

**20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>30.4.02</b>	<b>Period to 30.4.01</b>
	<b>£</b>	<b>£</b>
Loss for the financial year	(542,953)	(595,504)
Shares allotted	37,031	150,022
Share premium	782,567	826,948
	<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>	276,645	381,466
Opening shareholders' funds	381,466	-
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	658,111	381,466
	<hr/> <hr/>	<hr/> <hr/>
Equity interests	658,111	381,466
	<hr/> <hr/>	<hr/> <hr/>

**21. PROFIT OF HOLDING COMPANY**

Of the loss for the year £528,214 is dealt with in the accounts of Henderson Morley plc. The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the company alone.

**22. PENSION SCHEME**

The company paid contributions amounting to £1,500 to a personal pension in respect of one of its employees.

**23. FIXED ASSET INVESTMENT – COMPANY**

Parent Undertaking

	<b>£</b>
COST	
At 30 April 2001 and at 30 April 2002	130,145
	<hr/>
NET BOOK VALUE	
At 30 April 2001 and at 30 April 2002	130,145
	<hr/> <hr/>
Unlisted investments	130,145
	<hr/> <hr/>

The subsidiaries owned by Henderson Morley Plc at 30 April 2002 are:

	<b>Incorporated In</b>	<b>% of Ordinary Shares held by the Group</b>
Henderson Morley Research and Development Ltd	England	100
Exanol Limited	England	100
Sci-Tech Limited	England	100
Frost and Simpson Limited	England	100
Henderson Morley Biomarine Limited	Republic of Ireland	75

Henderson Morley Research and Development Limited's trading activity is the research and development of drugs and vaccines for the pharmaceutical industry and has been included in the consolidated results.

All other companies have been dormant throughout the year.

#### **24. RELATED PARTY TRANSACTIONS**

During the year the following payments were made:

- To Southern Metropolitan, a private unlimited company, which is controlled by A Knight as follows:-

	<b>£</b>
Rent	25,020
Recharged Administrative expenses	12,712

- To Iken Communications Limited, a company in which A Knight has a 50 per cent interest, as follows:

Fees for financial, public and investor relations	22,500
Recharges of costs incurred on the company's behalf including disbursements and bought in services	35,836
At 30 April 2002 the following amount was due to A N Knight	14,962

- To Trafalgars, Chartered Accountants, C R Pate's practice as follows:

Accounting services	14,070
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At 30 April 2002 for the following amounts were due:

Trafalgars	2,133
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#### **25. COMMITMENTS UNDER OPERATING LEASES**

	<b>30.4.2001</b>	
	<b>Properties</b>	<b>Other</b>
Expiring after more than 5 years	25,020	-

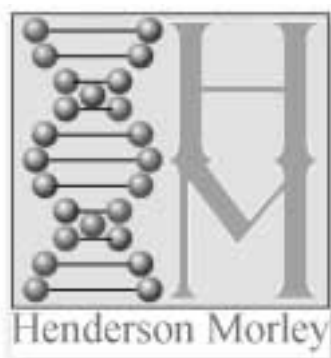
## 26. SUBSEQUENT EVENTS

On the 13 June 2002, the company raised £232,800 net of expenses by a placing of 8,727,276 .125p Ordinary Shares at a price of 2.75p each. The funds have subsequently been received.

On the same date an option was granted by the company to Billam Plc to purchase 2,727,276 ordinary shares at 2.75p each, exercisable within 6 months.

## 27. DEFERRED TAXATION

In accordance with FRS 19 the company has not provided for a deferred tax asset as the timing of future profits cannot at this time be readily ascertained.



# HENDERSON MORLEY PLC

(Incorporated and registered in England and Wales under number 3951745)

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the second Annual General Meeting of the Company will be held at the offices of Wragge & Co, 55 Colmore Row, Birmingham, B3 2AS on 17th September 2002 at 11 a.m for the following purposes:

### ORDINARY BUSINESS:

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

- 1 to receive the Report of the Directors and the Accounts of the Company for the year ended 30 April 2002 together with the report of the auditors;
- 2 to re-appoint Moore Stephens as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to determine their remuneration; and
- 3 to re-elect Christopher Pate, who is the director retiring by rotation.

### SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

- 4 THAT in substitution for all existing authorities, the Directors be generally empowered pursuant to section 95 of the Companies Act 1985 ("the Act"), to allot equity securities (within the meaning of section 94(2) of the Act) pursuant to the authority given in accordance with Section 80 of the Act by an Extraordinary General Meeting of the Company held on 13 August 2001 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to allotments of equity securities:
  - (a) where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company made in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient:
    - (i) to deal with equity securities representing fractional entitlements; and
    - (ii) to deal with legal problems under the laws of any territory, or the requirements of a regulatory body; and
  - (b) otherwise pursuant to sub-paragraph 4 (a) above for cash up to an aggregate nominal amount of £250,000; and
  - (c) otherwise pursuant to 4 (a) and 4 (b) above pursuant to the terms of any share option scheme adopted by the Company

and such authority shall expire at the conclusion of the Annual General Meeting of the Company in 2003 or, if earlier, on the date falling 15 months after the passing of this Resolution, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements. All authorities previously conferred under section 95 of the Act are hereby revoked, but such revocation shall not have retrospective effect.

Dated ● August 2002

By Order of the Board,

Registered Office:  
2 Salisbury Road, Moseley  
Birmingham B13 8JS

.....  
Secretary.

### NOTES:

- 1 Any member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll to vote instead of him, and such proxy need not be a member of the Company.
- 2 To be valid, the form of proxy must be returned in accordance with the instructions printed thereon not later than 11am on 15 September 2002.
- 3 Completion and return of a form of proxy will not prevent a member from attending and voting at the meeting should he so wish.