

SPEYWOOD LABORATORIES LIMITED

REPORT DATED

9TH DECEMBER, 1981.

D.A. Smart, Esq.,
Prutec Limited,
and
I. Burns, Esq.,
National Enterprise Board.

Dear Sirs,

1. INTRODUCTION

In accordance with the instructions contained in your letters of 26th October 1981, we have carried out an investigation into the affairs of Speywood Laboratories Limited and its present subsidiaries ("Speywood Group") in connection with a proposed joint investment of £4 million in Speywood Laboratories Limited ("Speywood") by Prutec Limited and the National Enterprise Board.

2. EXTENT OF OUR INVESTIGATIONS

We have examined the accounts of Speywood Group for the following periods:-

Speywood Laboratories Limited Seven years to 31st December 1980

Speywood Communications Limited Four years to 31st December 1980

J.W. National Hospital Supplies Limited From 1st July 1976 to 31st December 1980.

We have also examined management accounts of Speywood for the 9 month period ended 30th September 1981.

D.D. Rae Smith
C.J. Stronge
D. Anton
A.V. Ashion
A.J. Barrett
P.S. Blunden
I.D.B. Bond
J.W. Burnell
N. Butterworth
P.R. Chapman
E.R.C. Chovil
C.J. U. Coates
G. Cole
P.H. Dickinson

J.D.F. Dickson
M.J.R. Dodd
E.R. Dring
I.A. du Pré
J.B. Faris
R.A. Ford
R.W.J. Foster
T. Gulltovic
J.M. Harries
J.R. Hawksley
A. Head
P.J. Hockey
P. King
L.W. Law

H.J. Leadley
D.A. Lewis
D.T.E. Lloyd-Jones
T.D. Marks
P.J. Meador
A.W. Milne
C. Morgan
R.D. Musson
D.M. Nigg
W.R.C. Ogoen
J.D.B. Oliver
M.L. Patient
A.H. Percival

C.R. Plummer
T.P. Pope
J.A. Potter
C.J. Relean
D.G. Richards
M.J. Ridley
M.C. Roberts
D.J.G. Ronison
J.G. Samuel
A.J. Seale
A.P. Shearer
A.K. Stephens
D.P. Stewart

R.G. Stover
P.A. Tedder
S.R. Thomas
J.A.M. Wechsler
C.M. Wenborn
G.A. West
M.G. Wheeler
G. Whitehead
M.S. Wilson
R.H.B. Winter
K.S. Woodley
R.H. Wright
P.L. Wyman

2. EXTENT OF OUR INVESTIGATIONS (continued)

We have not carried out an audit of any of the sets of accounts mentioned above. We have obtained such information and explanations and have made such tests of records and verifications of assets and liabilities as we considered necessary for the purposes of our investigation. In particular we have carried out work in connection with the specific areas mentioned in your letter and checklist of 26th October 1981.

We have not examined accounts of Speywood Corporation or Speywood GmbH, as we understand that Speywood Corporation has never traded, and that Speywood GmbH only commenced trading on 1st January 1981.

In accordance with your verbal instructions, we have not examined the financial projections included in the papers supplied to us by you.

3. AUDITORS

The auditors of Speywood and Speywood Communications Limited are Spicer and Pegler, Nottingham, who have audited the 1979 and 1980 accounts of both companies. Prior to this, Thomson McLintock, Glasgow, were auditors to both companies.

H.Abrahams, Nedas & Co. have been auditors to J.W.National Hospital Supplies Ltd. since incorporation.

4. HISTORY AND BUSINESS

(a) Speywood

Speywood was incorporated on 19th November 1973. In 1974 the company purchased ethical drug products from S.Maw and Sons, including animal plasma fractions for the treatment of haemophilia and Zonulysin, an enzyme for the removal of cataracts.

By 1978, the main trading activity of the company was the sale of Koate (human Factor VIII imported from Cutter Laboratories). This distributorship was terminated by Cutter in 1980 although Speywood are still able to obtain the product through a US intermediary. Speywood continued to sell Koate in the UK under the name of Humarate, but stopped in June 1981 when the product licence was amended.

HISTORY AND BUSINESS(a) Speywood (continued)

Over the years the company had been seeking to improve its animal plasma products. It has now developed a manufacturing process using polyelectrolytes developed by Monsanto. Porcine Factor VIII produced by this process and sold as Hyate C is now the company's main product.

(b) Subsidiaries and former subsidiaries

The company has had interests in several ventures in the period since 1974. Brief details of the history and business of each company are as follows:-

- (i) Blakey's Food Company Ltd. was acquired by Speywood during 1974. It's business was the manufacture of dietary food products. Speywood sold the company to Health and Diet Food Company Ltd. for £250,000 on 26th March, 1981.
- (ii) Speywood Communications Ltd. was incorporated as Leenane Properties Ltd. on 6th November 1973. Speywood acquired 56% of the share capital during 1976. A further 24% was purchased during 1978, and the remaining 20% was acquired during 1981. The company was engaged in the conversion, hire and marketing of television projection and ancillary equipment. It ceased trading during 1980 with accumulated losses of £366,437.
- (iii) J.W.National Hospital Supplies Ltd. was incorporated on 9th March 1976 as Vision Medical Ltd. and was acquired by Speywood during 1977. The company ceased trading in 1977 with accumulated losses of £4,901.
- (iv) Cardio Technology Ltd. was incorporated in the Republic of Ireland. It marketed pre-jelled disposable electrodes and was acquired by Speywood in 1977. Speywood sold 85% of the share capital to Mr.P.Hammond on 6th June 1980.

4.

HISTORY AND BUSINESS

(b) Subsidiaries and former subsidiaries (continued)

- (v) The Manor Drug Company (Nottingham) Ltd. operates a chain of retail pharmacies. Speywood acquired 86% of the share capital of the company during 1979, and the remainder during 1980. The company was sold to G.W. Taylor Ltd. on 1st December 1980.
- (vi) Speywood Corporation is a US company and was formed on 31st October 1978. The company has never traded.
- (vii) Speywood GmbH is a West German company which it is intended to use as a marketing and distribution outlet. Speywood bought 76% of the capital of the company on 15th November 1980, the remainder being held by Dr.A.Eden.

5.

FUTURE PLANS

The company has a 10,000 sq. ft. factory on the Wrexham Industrial Estate leased from the Welsh Development Agency in which it can manufacture its porcine and other animal blood products. It is intended to occupy an extension to the factory in the course of 1982, which will contain a production area for human blood products.

Speywood has commenced a very substantial research and development programme, involving both internal and external research teams, which will continue for several years with the aims of improving existing products and of developing new products and processes.

6.

PROPOSED CAPITAL STRUCTURE

The present share capital of the company is £80,000 divided into 80,000 ordinary shares of £1 each. We understand that it is the intention to increase this by issuing a further 80,000 ordinary shares of £1 each in exchange for £1,500,000 cash, with up to £2,500,000 of cumulative redeemable preference shares of £1 each being issued at par.

6. PROPOSED CAPITAL STRUCTURE (continued)

There will thus be a share premium account of £1,420,000 which, under S 56 (2) of the Companies Act 1948 and S 62(3) of the Companies Act 1981 may only be used for:

- (1) paying up unissued shares of the company to be allotted to members of the company as fully paid bonus shares,
- (2) writing off the expenses of, or commission paid or discount allowed on, any issue of shares or debentures of the company.
- (3) providing for the premium payable on redemption of the redeemable preference shares or any debentures of the company.

We understand that it is intended to redeem the preference shares at the earliest suitable time. However, S 53 of the Companies Act 1981 requires that unless the redemption is out of the proceeds of a fresh issue of shares, then a "capital redemption reserve" of an amount equal to the nominal value of the shares redeemed must be set up by a transfer out of profits. The capital redemption reserve may only be used to pay up unissued shares of the company to be allotted to members of the company as fully paid bonus shares.

We understand that new Memorandum and Articles of Association of the company are to be adopted before the investment is completed. We do not therefore comment on the regulations regarding the issue and transfer of shares contained in the existing Articles of Association.

Following completion of the proposed joint investment, consideration should be given to the writing off under a Court scheme of the debit balance on profit and loss account against the share premium account in order that dividends may be capable of being declared at an earlier date.

LICENSING AGREEMENT AND PROPOSED SUB-LICENCES(a) Monsanto agreement

Speywood have entered into a licensing agreement dated 15th August 1981 with Monsanto Company under which Speywood have:

- (i) A world-wide exclusive licence to manufacture and sell Porcine Factor VIII.
- (ii) An exclusive licence to manufacture and sell human, bovine and other porcine blood components in all countries within the entire Eastern hemisphere except the People's Republic of China, Japan, Korea, Taiwan, Indonesia and the Philippines, and within all other British territories and possessions (as defined in the licence) except those on the North and South American continents.
- (iii) A non-exclusive licence to manufacture and sell human, bovine and other porcine blood components in the People's Republic of China, using the process developed by Speywood's research teams and involving polyelectrolytes developed by Monsanto. The exclusive licences become non-exclusive in each country 10 years after the date of the first sale of licensed product in that country. Monsanto also have the option to convert the exclusive licences to non-exclusive licences in respect of any country in which
 - (1) Speywood notify Monsanto that they do not wish to exploit any licensed product.
 - (2) Speywood fails to initiate an application for the necessary governmental regulatory approval to market any licensed product before 15th August 1983.
 - (3) Speywood fails to actively market any licensed product within 1 year of receiving governmental regulatory approval to market.

Under the agreement, Speywood must pay a royalty to Monsanto of 5% of the net selling price of all licensed product made and sold during the life of the agreement, except that product made

7.

LICENSING AGREEMENT AND PROPOSED SUB-LICENCES

(a) (iii) (continued)

and sold under sub-licence to the UK Department of Health and Social Security will only be subject to a 3% royalty. The minimum royalties payable under the agreement are \$20,000 for the year ending 31st December 1981 and \$50,000 for each subsequent year. Monsanto have the right to terminate the agreement if the minimum royalty is not paid within 60 days of the end of the year to which it relates. Royalties are payable on all sales until 31st December 1990, after which date royalties are only due on sales in countries where the making, using and/or selling of licensed product is covered by an unexpired patent.

(b) Agreement with Dr.A.J.Johnson

Dr.Johnson pioneered the polyelectrolyte process and has worked with Speywood for several years as an external researcher. Speywood intend to pay him a royalty of 5% of net selling price on sales of Hyate C and two other porcine products, up to an annual limit of \$250,000. This agreement is not yet in writing and may be subject to variation when Dr.Johnson meets Speywood during December this year.

(c) Dai Nippon agreement

Speywood granted an option to Dai Nippon Pharmaceutical Co.Ltd. of Osaka to enter into an exclusive sub-licence to manufacture and sell Porcine Factor VIII in Japan, Korea and Taiwan. Under the proposed sub-licence Speywood would receive an initial payment of \$250,000 and a royalty of 7½% of the net selling price of the licensed product, subject to minimum royalties still to be negotiated:

At the date of our review, the option agreement had not been signed although it had been submitted to Dai Nippon. Speywood will receive \$35,000 when the agreement is signed

7.

LICENSING AGREEMENT AND PROPOSED SUB-LICENCES

(continued)

(d) Behring proposals

Speywood have opened negotiations with Behring with a view to granting a sublicense for the manufacture and sale of human plasma derivatives. The proposed licence would cover all countries in the Eastern hemisphere with the exception of Japan, Korea, Taiwan, Indonesia and the Philippines, and would be exclusive except in the People's Republic of China, where it would be non-exclusive.

We understand from Mr.P.Lees, Speywood's Commercial Director, that it is intended that the sub-licence should apply to Factor VIII products only.

8.

ACCOUNTING SYSTEM

We have ascertained the accounting systems and controls which operate at Speywood by discussion with Mr.P.Lees, Commercial Director, and Mr.K.Bromhead, the accountant at Speywood. We have not performed any tests of transactions to ensure that the system operates as described.

The company operates a manual Kalamazoo book-keeping system with all entries to the books being made by either Mr.Bromhead or his assistant. These two do not also have custody of company assets, with the exception of:

(i) Debtors

Control over debtors appears to be adequate because the balance listing is regularly reviewed by Mr.Lees, who has day-to-day knowledge of sales transactions and

(ii) Bank and Cash

The company's controls are poor in this area. We are informed that the second signatory of a cheque frequently has inadequate backing documentation, particularly where payrolls are involved. However, we are also informed that the company's overdraft position is closely reviewed by the directors of the company during their weekly management meetings.

8.

ACCOUNTING SYSTEM (continued)

The Company's accounting systems and controls are of a type that would be expected for a company of its size. Day-to-day control by executive directors who also have a proprietorial interest in the company is an essential part of the present system.

As the company expands, the directors will not be able to maintain the current level of supervision. The level of work that the accounts staff will have to deal with will also increase. It should therefore be possible to combine the expansion of the accounts department with the introduction of more formal segregation of duties to obtain strengthened internal control.

Management accounts are produced monthly by Mr. Bromhead, and consist of balance sheet, trading and profit and loss account, and analyses of sales, cost of sales and research and development costs. No manufacturing account is presented. As the volume of production and the number of products increases, it will become necessary to introduce a costing system to provide effective management control over the factory production. In our opinion the directors of the company should consider whether or not it would be more beneficial to move the accounting function, and possibly even the entire management of the company, to Wrexham.

9.

ACCOUNTING POLICIES

We have reviewed the accounting policies of the company as set out in the annual accounts. We consider that they are reasonable and appropriate to the circumstances of the company. Our review of the 1980 audit files and the management accounts to 30th September 1981 indicated that the policies were being adhered to.

10.

STATEMENT OF NET ASSETS

An unaudited statement of the net assets of the company as at 30th September 1981, together with comparatives as at 31st December, 1980, is attached as Statement A. Various matters relating to this statement are discussed in the following paragraphs.

11.

LEASEHOLD PROPERTY

Details of the leasehold properties are set out in Statement B. No lease premium was payable under any of the agreements.

The Bingham lease is actually in the name of Pharmaceutical Projects Ltd., a company which we understand is owned by Mr.D.Heath, Speywood's managing director. However Speywood is only charged the rental specified in the lease agreement. Part of the premises are occupied by Speywood Medical Ltd. (see paragraph 16), at a present rental of £2,221 p.a.

We understand that the lease for the Wrexham premises has not yet been signed, although Speywood's staff are now occupying the factory and Speywood had at 30th September, 1981, spent £13,746 on alterations to the premises. We understand that the total cost to Speywood of alterations will be approximately £57,000. An analysis of this total and comparison with budgeted costs is set out in Statement L.

11. LEASEHOLD PROPERTY (continued)

The Wembley units were leased by Speywood Communications Ltd., with a guarantee from Walter Alexander Ltd. (a major Speywood shareholder) under which the landlord can require Walter Alexander Ltd. to take over the lease if Speywood Communications were to either not pay the rent or go into liquidation. We understand that the larger unit, of approximately 9,400 sq. ft., has been sublet until 17th August 1982 at a rental of £15,000 p.a.

12. PLANT AND EQUIPMENT

The main cause of the increase in plant and equipment since 31st December 1980 has been the purchase of production equipment for the new factory, and fitting out the research and development laboratory at Wrexham. Details are given in Statement C.

In addition to the plant shown on the balance sheet, there is some £148,000 of equipment leased from Cleveghirth Finance Ltd. (a subsidiary of Walter Alexander Ltd.) and a further £50,000 of equipment on lease from British Steel. Details are set out in Statement D.

13. MOTOR VEHICLES

Details of all motor vehicles owned by the company at 30th September 1981 are given in Statement E.

14.

PRODUCT RIGHTS AND TRADEMARKS

The balance shown in Statement A is made up of:

	£
Amount paid to S.Maw and Sons in 1974	16,922
<u>less: Cost attributed to Zonulysin</u> (rights sold in 1980)	<u>8,462</u>
	8,460
Payment to Monsanto in 1979 for rights to use polyelectrolyte technology	<u>24,557</u>
	<u>£33,017</u>

£54,434 (US \$100,000) receivable from Monsanto under the licensing deal described in para 7, which replaced the 1979 arrangement, has been credited to profit and loss account on the grounds that it represents proceeds of the sale of Speywood's know-how relating to the polyelectrolyte process. The cost of such know-how had been written off to profit and loss account in prior years as research and development expenditure.

We consider that thought should be given to the value of these assets to Speywood. If this value is less than the above figure, the difference should be written off to the profit and loss account.

15.

INVESTMENTS IN SUBSIDIARIES

A detailed analysis of the balance sheet figure is contained in Statement F. We understand that the credit balance of £14,374 represents liabilities of Speywood Communications Ltd. which will be met by Speywood at some future date.

The Cardio Technology balance represents payments made under the warranty included in the sale agreement, and should be written off.

16.

TRADE INVESTMENTS

Speywood owns 15% of the issued share capital of both Speywood Medical Ltd. and Cardio Technology Ltd. (para 4(b)(iv)). These investments have been written down to a directors' valuation of £nil in the balance sheet.

Speywood Medical Ltd. was formed in 1980 at the time of the sale of Cardio Technology Ltd., and 85% of the share capital was sold to Mr.P.Hammond with the Cardio Technology Ltd. shares. We understand that the company has taken over the business of Cardio Technology.

17.

STOCKS AND WORK IN PROGRESS

The balance sheet figures at 30th September, 1981, and 31st December, 1980 are made up of:

	<u>1981</u>	<u>1980</u>
	£	£
Finished goods:		
Hyate C	23,839	20,035
Humanate	-	73,132
Konyne	619	73
Albumin	<u>6,008</u>	<u>671</u>
	30,466	93,911
Polyelectrolytes	66,232	1,534
Chemicals and consumables	14,702	36,613
Sundry	<u>1,506</u>	<u>1,506</u>
	<u>£112,906</u>	<u>£133,564</u>

(a) Stock Quantities

We understand that a physical count of all raw materials stock except sundries was carried out by Mr.K.Bromhead at Wrexham on 30th September 1981. Finished goods are held at Bingham, and are controlled under DHSS regulations. We have agreed the quantities as at 30th September 1981 to the finished goods control book and to the stock count sheets.

(b) Pricing

Stock is valued at the lower of cost and net realisable value. Costs of finished goods include an appropriate proportion of overheads. We have reviewed the basis of calculation of the valuation given to finished goods stock, and although we have not tested it in detail, we consider that it is reasonable, and consistent with that used for the last audited accounts. Raw material stocks are valued at invoiced price.

17.

STOCKS AND WORK IN PROGRESS(c) Work in progress

Any batch which has been produced but has not been tested to ensure that it is pyrogen-free at an accounting date is given no value in the accounts at that date. This policy seems excessively prudent, but does not lead to material errors at the current level of production. As the volume of production increases, it will be necessary to reconsider this policy.

18.

DEBTORS

The larger amounts included in this figure are:-

Sales ledger balances (including debit balances on Bought Ledger)	£ 22,596	
P.P.D.S.grants receivable	95,974	(£56,000 subsequently received)
Monsanto licence fee receivable	22,950	(now received)
Hire purchase interest suspense (see para 20)	10,423	
Sundry prepayments	<u>9,075</u>	
	<u>£161,018</u>	

Sales ledger balances are reduced by £81,000 because of invoices discounted at a rate of 1½% per month with Clevegirth Finance Ltd.(a subsidiary of Walter Alexander Ltd Speywood would have to repay Clevegirth if those debtors were to prove irrecoverable.

Sundry prepayments includes £6,032 owing by directors of the company (see para 23).

Because of the nature of Speywood's customers, the company do not consider that any bad debt provision is required.

19.

CREDITORS

The major items included in the total of £312,048 in the balance sheet under this heading are:-

	£
Bought ledger balances (including credit balances on Sales Ledger)	136,543
PAYE and National Insurance	49,411
Income tax deducted at source from loan interest	32,609
VAT	19,428
Palmer Laboratories - polyelectrolytes	15,000
Audit and accountancy	10,600
Walter Alexander Ltd. loan interest	9,863
Interest on overdue income tax (see above)	6,000
Royalties payable	17,177
Sundry creditors and accruals	<u>15,417</u>
	<u>£312,048</u>

The company has not paid over any PAYE or National Insurance since at least February 1981, which was also the date of the last VAT return.

We have examined the list of accruals, and have discussed any significant variations from those included in the 1980 audited accounts with Mr.K.Bromhead. To this extent we are satisfied that provision has been made for all goods and services received before 30th September 1981.

20.

HIRE PURCHASE CREDITORS

A full list of hire purchase creditors with details of the assets on which the debt is secured is given in Statement G.

These creditors are stated gross of interest payable under the agreement. Interest not yet paid is shown in debtors as hire purchase interest suspense (paragraph 18).

One hire purchase agreement with an outstanding balance of £2,517 is secured on a BMW 320 M. This vehicle does not appear in the list of company-owned vehicles in Statement C. This is because it was given to Mr.J.Archer, a former director of the company, in lieu of salary and written off to profit and loss account in previous years.

In addition to these creditors, there are also liabilities under leasing arrangements as detailed in Statement D.

TAXATION(a) General

The corporation tax computations for Speywood and Speywood Communications Limited have been agreed by the Inspector of Taxes up to the year ended 31st December 1978 with losses carried forward of £73,660 and £194,420 respectively. Up to and including that year, Messrs.J.W. Jarvie & Co.of Glasgow were responsible for the group's tax affairs. The 1979 and 1980 computations have recently been submitted by Spicer and Pegler of Nottingham but have not yet been agreed by the Revenue.

We have reviewed the tax computations of Speywood and Speywood Communications for 1978, 1979 and 1980 and make the following comments:-

(i) Speywood

The computations show trading losses carried forward at 31st December 1980 of £334,771. As Prutec and the N.E.B. are to acquire exactly 50 per cent of the ordinary share capital there has been no change of ownership and the Revenue would not seek to prevent the carry forward of tax losses under TA 1970, s.483. However if Prutec or the N.E.B. acquire additional equity at some future date, s.483 could apply if there were also a change in the nature or conduct of its trade. Care should also be taken in the other shareholdings as a change three years before or after the Prutec/N.E.B. acquisition could trigger off s.483.

(ii) Speywood Communications

In the directors' report for the year ended 31st December 1980, it is stated that the company ceased trading during that year.

In addition we note that the company is to be sold to a third party as part of a capital loss scheme. The provisional accumulated losses carried forward at 31st December 1980 of £358,238 should not be regarded therefore as available for relief.

21. TAXATION
(continued)

(b) Capital Loss Scheme

During the year Speywood entered into a capital loss scheme in order to obtain relief for amounts owed to it on inter company account by Speywood Communications.

The transactions involved are similar to those of a case which has recently been decided against the taxpayer - C.I.R. v. Burmah Oil Company Ltd. It is therefore likely that the Inspector would be successful in defeating Speywood's scheme.

Furthermore, FA 1981, s.41 put an end to any Burmah-style schemes for reorganisations on or after 10th March 1981. We note from the charges register that the rights issue of debenture stock took place on 9th March 1981.

One of the stages of the scheme, the sale to an independent party has not yet taken place to our knowledge. To protect Speywood's position, the above disposal should be effected before 31st December 1981 if any loss created is to be set off against the gain arising on the disposal of Blakey's Food Company Limited.

(c) Government Grants

We understand that the company has received or is likely to receive principally two categories of grant, namely Regional Development Grants (RDG) and New Product and Process Development Scheme Grants (PPDS).

RDG's do not constitute taxable income in the hands of the recipient nor must they be deducted from the cost of plant and machinery or industrial buildings in arriving at the amount of expenditure eligible for capital allowances.

TAXATION(c) Government Grants (continued)

The likely treatment of PPDS grants can be summarised as follows:-

- (i) If the grant is a capital receipt it should be deducted from the cost of the asset for capital allowance purposes.
- (ii) If the grant constitutes a revenue receipt being linked to revenue expenditure, the grant will be taxable.

(d) Licences and Sub-Licences

The tax implications of the various licencing agreements undertaken or to be undertaken by the company are as follows:-

(i) Monsanto Licence (15th August 1981)

Provided that Monsanto Company does not have a permanent establishment in the United Kingdom, no withholding tax should be deducted from royalties paid by Speywood to Monsanto. This exemption is given by virtue of UK/US Double Taxation Treaty, Article 12.

Notwithstanding that no Income Tax is deducted, the royalties paid by Speywood will be relieved against total profits as charges on income. Any excess charges in an accounting period may be carried forward against future trading profits, but cannot be carried back.

We note that the company entered into two other transactions with Monsanto; namely a payment under licence in 1979 of \$50,000 and a receipt of \$100,000 for the sale of knowhow to Monsanto in 1981.

It may be possible that writing down allowances will be available under TA 1970, s.378 for the licence payment. However, a definitive opinion cannot be given without further detailed information.

We consider that the receipt for the sale of knowhow will be taxed as trading income of the company in 1981, following the rules set out in TA 1970, s.386.

TAXATION(d) Licences and Sub-Licences (continued)(ii) Disposal of Zonulysin

We understand that the profit on sale of Zonulysin to Henleys Medical Supplies has been treated as a trading receipt in the tax computations of Speywood for the year ended 31st December 1980. This treatment is in accordance with the rules governing the tax implications of sales of "know-how" as set out in TA 1970, s.386. We therefore consider that the Zonulysin disposal falls within the definition of know-how and that the profit thereon has been validly treated.

(iii) Dai Nippon Agreement

Royalties from Japan are subject to a withholding tax of 10%. There are two possible reliefs for this tax suffered:-

- (a) If Speywood is in a tax paying position the net royalties will be grossed up in the UK computation and double taxation relief will be given by credit against UK Corporation Tax.
- (b) If Speywood is in a tax loss position the withholding tax suffered can be expensed in the computation. As this is less favourable than (a) it may be worth considering the isolation of the agreement in a separate subsidiary if the amounts involved are likely to be material. In both cases, the income received will fall within Schedule D Case V.

The tax treatment of the lump sums which may be received for the option and the licence of \$35,000 and \$250,000 respectively is not so clear cut. However it is probable that the option and licence payments will be viewed as capital sums received for the sale of rights under a patent.

Such capital sums are taxed under Schedule D, Case VI in six equal portions over six successive years. Furthermore the company may elect for the whole of the proceeds to be taxed in the year of receipt. This may well be beneficial in that the company may be able to relieve trading losses under TA 1970, s.177 (2) which might otherwise be wasted by virtue of the impact of s.483 as referred to above. The time limit for making the election is two years from the end of the accounting period of receipt.

TAXATION(d) Licences and Sub-Licences (continued)(iv) Behrings Agreement

We understand that this agreement has not yet been settled, but we would make the following brief comments on the proposals:-

Under the terms of the current Double Tax Treaty,

- (a) No withholding tax will be deducted by the West German tax authorities on the royalties received in the U.K.
- (b) The comments made on the Dai Nippon agreement apply to the capital sums receivable for the option and licence.
- (c) The payment in kind of Cryopaste will be treated as having passed at market value. Obviously this presents a certain amount of scope for negotiation with the Inland Revenue, but any price should be based on what Speywood would be prepared to pay in the U.K. for Cryopaste.

(e) Consortium Relief

The extension of the consortium relief rules by the Finance Act 1981 may make it worthwhile to ensure that Speywood becomes a consortium company, although this should be viewed in conjunction with s.483. If this were the case, Speywood losses could be surrendered to the consortium members and consortium member losses could be surrendered to Speywood in the ratio of shares held.

For tax purposes, a consortium company is one whose ordinary share capital is directly and beneficially owned by five or fewer companies (the consortium members). It would therefore be necessary for the shares in Speywood currently held by individuals to be transferred into a company owned by those individuals in the same ratio as their existing shares in Speywood.

Should you wish to follow this course, we would be pleased to look into this area more closely.



22. BANK OVERDRAFT

Since 1974 the company has banked with Clydesdale Bank Ltd. Head Office branch in Glasgow. The overdraft is secured by a floating charge over "all property whatsoever and wheresoever both present and future including uncalled capital for the time being". This charge is registered in the company's Register of Charges and a copy of this is filed at Companies House.

23. DIRECTORS' LOAN ACCOUNTS

The balance of £3,453 under this heading represents an amount due by Speywood to Mr.D.Heath as part of the cost of shares in The Manor Drug Company (Nottingham) Ltd. which Speywood purchased from Mr.Heath in 1980.

As mentioned in paragraph 18, sundry prepayments include the following two amounts owing by directors:-

Mr.D.Heath - tax bill paid	£5,527
by Speywood on his behalf	
Mr.D.Williams - private travel	£505
cheques	

24. DEFERRED TAX

At 31st December 1980, Speywood's deferred tax balance was made up of:-

	<u>Provided in the accounts</u>	<u>Full Liability</u>
	£	£
Capital allowances in excess of depreciation	32,000	32,000
Stock appreciation relief	-	148,000
Other short-term timing differences	(8,500)	(8,500)
Losses	(23,500)	(171,500)
	<u>£ -</u>	<u>£ -</u>

24. DEFERRED TAX (continued)

The balance has not been recalculated since 31st December 1980.

Under the Finance Act 1981 the stock appreciation relief given in previous years can only be clawed back if the company ceases to trade or if the scale of activities becomes negligible.

25. LOANS

This balance represent sums advanced to Speywood by Walter Alexander Ltd. (the major shareholder). They were due for repayment as follows:-

	£
31st December 1981	75,000
31st December 1982	75,000
31st December 1983	<u>100,000</u>
	<u>£250,000</u>

We understand that Walter Alexander Ltd. have agreed to revise the above dates, and will not now seek repayment for four years. This had not been confirmed in writing by Walter Alexander Ltd. at the date of our review, and we are therefore unable to confirm that this is their intention.

The loans bear interest at 3% above Clydesdale Bank Ltd. base rate, and are unsecured.

26. DEFERRED REVENUE

The balance shown on Statement A comprises:-

	£
Regional Development Grants	7,488
P.P.D.S. Grant	<u>11,423</u>
	<u>£18,911</u>

Regional Development Grants are available at 22% of qualifying expenditure. Speywood take credit for these grants only when they are approved, and we understand that grant claims awaiting submission and approval at 30th September 1981 amounted to approximately £9,000.

The P.P.D.S. Grant was awarded to Speywood under Section 5 of the Science and Technology Act 1965. Under the agreement dated 3rd February 1981, Speywood will receive a total grant of £82,680 towards capital expenditure and £199,000 towards revenue costs of developing "a new method of fractionating blood using polyelectrolytes". The amount above represents the proportion of the capital grant which had been claimed by 30th September, 1981.

The capital grants are credited to profit and loss account over the anticipated useful lives of the related assets.

£120,823 of the revenue grant has been taken to the profit and loss account in the 9 months ended 30th September 1981.

27. SHARE CAPITAL

The authorised and issued share capital has changed as follows:

		<u>Authorised</u>	<u>Issued</u>
		<u>Ordinary Shares of £1 each</u>	
19th November, 1973	Original Allotment for cash	100	2
29th November, 1973	Issued for cash		1
8th March, 1974	Issued for cash		97
		100	100
26th April, 1974	Created and issued for cash	39,900	39,900
		40,000	40,000
19th September, 1977	Created and issued for cash	40,000	40,000
		<u>80,000</u>	<u>80,000</u>

We set out below details of shareholdings shown in the Register of Members at 23rd October 1981, and the shareholdings as adjusted by certain transfers not yet entered into the Register.

	<u>23rd October 1981</u>	<u>Adjusted</u>
Walter Alexander Ltd. (formerly Cleveleys Investment Trust Co.Ltd.)	39,200	32,000
Russell Anderson Finance Ltd.	21,200	21,200
Mr.D.Heath	14,800	18,800
Mr.P.Lees	2,400	4,000
Mr.D.Williams	2,400	4,000
	<u>80,000</u>	<u>80,000</u>

28.

WARRANTIES ON DISPOSAL OF SUBSIDIARIES AND KNOW-HOW

(a) The Manor Drug Company (Nottingham) Ltd.

This company was sold to G.W.Taylor Limited on 1st December 1980. Under the terms of the sale agreement,

- (i) Speywood is indemnified in respect of liabilities arising in respect of the leases of 1 Milton Court, Ravenshead, Nottingham (expiry date December 2000) and 103 Front Street, Arnold, Nottinghamshire (expiry September 1989).
- (ii) Speywood is indemnified against its obligations as a guarantor of Manor Drug Company's bank overdraft.
- (iii) Speywood agree not to carry on business as dispensing chemists within ten miles of Nottingham Council House nor to entice any officers or servants of Manor Drug from the company within the year to 1st December 1981.
- (iv) Speywood gave warranties to the purchasers as set out in Schedule 6 of the sale agreement, which can be summarised as giving the purchasers assurance that the accounts at 31st December 1979 had been properly drawn up and included all known assets and liabilities, and that full disclosure had been made to them of all matters of which they ought to be aware. We have reviewed these warranties and consider that the only likely source of a claim is in respect of any underprovisions of tax that may be discovered when the computations are agreed by the Revenue. We are unable to say whether any liability will arise under this head.
- (v) All liabilities under the warranties cease after 1st December 1982, except in the case of matters notified in writing before that date.

(b) Blakey's Food Company Ltd.

Speywood sold this company to Health and Diet Food Company Ltd. on 26th March 1981. Under that agreement,

- (i) Speywood are indemnified against any liability arising from its obligations as guarantor of Blakey's bank overdraft.
- (ii) Speywood indemnify the vendor against any tax liability arising in respect of periods ending before the completion date to the extent that they are not already provided in the accounts at 31st December 1980.
- (iii) Speywood agree not to carry on the business of manufacture, distribution or sale of dietary food products nor to entice away any servants or

28.

WARRANTIES ON DISPOSAL OF SUBSIDIARIES AND KNOW-HOW

(b) Blakey's Food Company Ltd.

(iii) (continued)

customers of Blakey's within 5 years of
26th March 1981.

- (iv) Speywood give warranties to the purchasers
similar to those outlined in (a)(iv) above.

(c) Cardio Technology Ltd.

Under the terms of the sale agreement dated 15th July
1980, Speywood agreed to,

- (i) Pay any creditors of Cardio Technology Ltd.
at 6th June 1980 which were not disclosed at
that date. Some £920 has been paid to date under
this agreement.
- (ii) Guarantee the company's overdraft in the sum
of IR £10,000. This sum reduced in stages to
nil at 31st October, 1981.

Speywood retains an interest of 15% in this company.

(d) Zonulysin trademark

This know-how was sold on 7th May 1980. Speywood
agreed that if the purchaser was unable to obtain a
product licence within 12 months from the Department
of Health and Social Security, then they would buy the
product back at the agreed selling price. The licence
was obtained by the purchasers in June 1980.

The company has represented to us that no claims have
been made against it under any of the above agreements

29

SALES

We set out an analysis of sales by product type in
Statement H. We have agreed the totals to the audited
accounts for the three years and have reconciled the figures
to Speywood's management accounts. We consider that the
analysis is reasonable.

30. PROFIT AND LOSS ACCOUNT

The unaudited profit and loss account for the 9 months ended 30th September 1981 is set out in Statement I. together with comparative figures for the last three years which we have extracted from the audited accounts of the company. We consider that the figures are dealt with in accordance with the company's accounting policies.

31. DIRECTORS' EMOLUMENTS AND SERVICE AGREEMENTS

Details of directors' emoluments as shown in Speywood's statutory accounts for 1979 and 1980 are given in Statement J. In addition to these payments the following arrangements exist:

(a) Pharmaceutical Projects Limited

Speywood pay £24,000 p.a. to this company as consultancy fees. This company is understood to be owned by D.Heath and to have on its payroll both Mrs.Heath and Mrs. Lees. The purpose of this arrangement, which has been approved in Board minutes, is understood to be to minimise the personal tax liabilities of Mr.Heath and Mr.Lees.

(b) Tudor Health Care Ltd.

Under an agreement with D.Williams, Speywood pay him £2 commission per 1,000 units of Hyate C sold, up to a maximum that brings his total remuneration to £20,000. This commission is paid to Tudor Health Care Ltd., which we understand is owned by D.Williams and his wife. This is done at Mr.Williams' request, and is understood to be to reduce his personal tax liability.

(c) Service agreements

We understand that at present no service agreements are in existence between Speywood and its directors. We also understand that agreements are being prepared by the company's legal advisers.

32.

MANAGEMENT AND STAFF

At the time of our review, Speywood employed 12 persons at Bingham and 21 at Wrexham. The senior staff are:-

D.Heath	Managing director
P.Lees	Commercial director
D.Williams	Marketing director
W.Costello	Special projects manager
N.Birkett	Factory manager
Mrs.S.Middleton	Chief Scientist
K.Bromhead	Accountant

We understand that you have already examined curriculum vitae of these employees.

In addition to those listed above, the company has three non-executive directors. These are:-

R.Pynegar	representing Russell Anderson Finance Ltd.
W.R.Alexander)	Representing Walter Alexander Ltd.
J.F.W.Hamilton)	

33.

PENSION SCHEME

We are informed that the company operates a pension scheme through Standard Life which has five members. These are:

D.Heath
P.Lees
D.Williams
S.Middleton
W.Costello

Contribution rates are based on salary, and are at the rates of:

3% Employee
2% Speywood

We understand that the company is considering a new scheme which would encompass all its employees. No details of this new scheme have been supplied to us.

34. LITIGATION

We have confirmed with the company's solicitors that there is no outstanding litigation which could lead to financial loss to the company.

35. INSURANCE

A list of the company's insurance policies is attached as Statement K.

36. CONCLUSION

We would like in particular to draw to your attention to the following matters mentioned in the body of this report:

- (i) The possibility of writing off the debit balance on the profit and loss account against the share premium account under a Court scheme (paragraph 6).
- (ii) The terms of the proposed sub-licences with Dai Nippon Pharmaceutical Co.Ltd. and Behrings, and the restrictions of the agreement with Monsanto (paragraph 7).
- (iii) The necessity for the company to decide whether management control of the company should remain at Bingham or be transferred to Wrexham (paragraph 8.).
- (iv) Speywood's liabilities in respect of the leasehold property in Wembley (paragraph 11).
- (v) The need to reconsider the actual value to the business of the product rights and trademarks which are carried in the company's balance sheet.
- (vi) The probability that the Inspector of Taxes will challenge the carry forward of prior years tax losses under S.483, TA 1970, and that the Speywood Communications Ltd. capital loss scheme will fail (paragraph 21).
- (vii) Payments made to Pharmaceutical Projects Ltd. and to Tudor Health Care Ltd. as additional emoluments to directors (paragraph 31).

We wish to record our appreciation of the help and courtesy extended to us in the course of our investigation by the directors and employees of the company.

This report is intended solely for the information of Prutec Ltd. and the National Enterprise Board for the purpose of considering a proposed investment in Speywood. It must not be otherwise used, quoted or circularised for any other purposes without our permission

If there is any further information you may require relevant to the subject matter of this report, we shall be pleased to supply it if we are able to do so.

Yours faithfully,

GRO-C

SPEYWOOD LABORATORIES LTD.NET ASSETS

	<u>30th September 1981</u>		<u>31st December 1980</u>	
	£	£	£	£
<u>FIXED ASSETS</u>				
Leasehold Property	13,746		-	
Less Depreciation	<u>138</u>		<u>-</u>	
		13,608		-
Plant and equipment at cost	157,630		97,192	
Less Depreciation	<u>47,538</u>		<u>39,032</u>	
		110,092		58,160
Motor vehicles at cost	65,915		24,603	
Less Depreciation	<u>8,494</u>		<u>8,713</u>	
		<u>57,421</u>		<u>15,890</u>
		181,121		74,050
<u>PRODUCT RIGHTS AND TRADE MARKS</u>		33,017		33,017
<u>SUBSIDIARIES</u>		(14,374)		54,846
<u>CURRENT ASSETS</u>				
Stocks and work in progress	112,906		133,564	
Debtors	161,018		110,279	
Cash	<u>717</u>		<u>197</u>	
	<u>274,641</u>		<u>244,040</u>	
<u>LESS: CURRENT LIABILITIES</u>				
Creditors	312,048		373,712	
Amounts payable under hire purchase agreements	64,764		9,701	
Bank overdraft	222,537		215,768	
Directors loan account	<u>3,453</u>		<u>8,205</u>	
	<u>602,802</u>		<u>607,386</u>	
Net current liabilities		(328,161)		(363,346)
<u>LESS:</u>				
<u>LOANS</u>		(250,000)		(250,000)
<u>DEFERRED REVENUE</u>		(18,911)		6,829)
Deficiency of net assets		<u>£(397,308)</u>		<u>£(458,262)</u>
Representing:				
Share Capital		80,000		80,000
Accumulated deficit		<u>(477,308)</u>		<u>(538,262)</u>
Shareholders Funds		<u>£(397,308)</u>		<u>£(458,262)</u>

SPEYWOOD GROUPLEASEHOLD PROPERTY30TH SEPTEMBER 1981

<u>PROPERTY</u>	<u>COMMENCE- MENT DATE</u>	<u>EXPIRY DATE</u>	<u>RENTAL</u>
1) Chancel House East Street Bingham, Nottinghamshire.	14th February 1980	13th February 1983	£4,862 p.a.
2) Unit 9 Wrexham Industrial Estate Clwyd.	Not yet signed		Not yet fixed (see below)
3) Units 9H and 9J (Numbers 25 and 26), Northfield Industrial Estate, Wembley	January/ June 1977	24th December 1997	£25,900 p.a. subject to review at intervals of 5 years. (next review due at 24/12/82)

We understand that the Wrexham lease is to be for a period of 25 years commencing March 1981. The rent is to be £13,180 p.a., subject to review every 5 years (i.e. the first review will take place in 1986). The first 2 years of the lease are to be rent-free.

SPEYWOOD LABORATORIES LIMITED
ADDITIONS TO PLANT AND MACHINERY
9 MONTHS ENDED 30TH SEPTEMBER 1981

	£
Autoclave	16,500
Liquid scintillation system	6,000
R & D laboratory	16,236
J 68 centrifuge	5,890
Scales	4,103
Filter housing	1,951
Edwards 250 recorder	1,307
Electronic balance	1,200
Sundry items	<u>5,762</u>
	<u>£58,949</u>

SPEYWOOD LABORATORIES LIMITED

SCHEDULE OF EQUIPMENT LEASING AGREEMENTS

AT 30TH SEPTEMBER 1981

<u>ASSETS</u>	<u>LESSOR</u>	<u>CAPITAL COST</u>	<u>PRIMARY RENTAL</u>	<u>PRIMARY RENTAL PERIOD</u>	<u>SECONDARY RENTAL</u>
Boiler Plant and Auxiliary Equipment (Sterile Unit)	Clevegirth Finance	£52,890	£8,320 p.a.	5 years to June 1986	£529 p.a.
Sterile Unit Installation	Clevegirth Finance	£95,208	£14,980 p.a.	5 years to May 1986	£952 p.a.
Various items of plant	British Steel	£50,000	£50 p.a.	n/a	n/a
Vauxhall Cavalier	Lombard North Central	n/a	Primary rental period expired 14th September 1981		£50 p.a.
Chrysler Alpine	Lombard North Central	n/a	£1,550 p.a.	Expires 1st January 1982	n/a

SPEYWOOD LABORATORIES LTD.MOTOR VEHICLES30TH SEPTEMBER 1981

		<u>COST</u>	<u>CUMULATIVE DEPRECIATION</u>
	<u>DRIVER</u>	£	£
MGB Roadster	Dr.H.Lee	1,500	1,499
Chrysler Horizon	Pool car	4,445	2,408
Triumph TR7	Miss A.Challon	2,200	549
Audi Coupe	Dr.Robinson	6,605	688
Rover 2300	Dr.W. Costello	5,730	597
Saab 900 Turbo	Mr.D.Williams	9,500	1,583
Audi Avant	Mr.N.Birkett	5,740	299
Porsche 928 Coupe	Mr.D.Heath	15,000	625
BMW 735 i	Mr.P.Lees	11,795	246
Ford Transit	Blood Transfusion Van	3,400	-
		<u>£65,915</u>	<u>£8,494</u>

In addition to these vehicles, Speywood also have two vehicles on lease. These are a Vauxhall Cavalier used by Dr.S.Middleton which costs £50 p.a. and a Chrysler Alpine driven by Mr.K.Bromhead at a rental of £1,550 p.a.

SPEYWOOD LABORATORIES LTD.INVESTMENTS IN SUBSIDIARIES30TH SEPTEMBER 1981

Cost of shares in subsidiaries:

Speywood Communications Ltd.	45,098	
J.W.National Hospital Supplies Ltd.	1,200	
Speywood Corporation	507	
Speywood GmbH	<u>3,374</u>	50,179

Amounts due from subsidiaries :

Speywood Communications Ltd.	345,220	
J.W.National Hospital Supplies Ltd.	400	
Cardio Technology Ltd.	<u>920</u>	346,540
		396,719

Less: Provision for losses in subsidiaries

(411,093)
£(14,374)

SPEYWOOD LABORATORIES LTD.SCHEDULE OF HIRE PURCHASE AGREEMENTS30TH SEPTEMBER 1981

<u>LENDER</u>	<u>SECURITY</u>	<u>OUTSTANDING AMOUNT</u>
		£
Lombard North Central	BMW 320 M	2,517
" " "	Audi Coupe	5,948
" " "	Rover 2300	3,933
Lloyds and Scottish	Saab Turbo	6,620
" " "	Audi Avant	5,273
" " "	BMW 735 i	10,262
" " "	Autoclave cleaning machine	18,414
J.S.Hodge	Rank Xerox photocopier	1,421
General Guarantee	Porsche 928 coupe	10,376
		<u>£64,764</u>

SPEYWOOD LABORATORIES LTD.
SALES ANALYSIS BY PRODUCT TYPES

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>9 mons. ended</u> <u>30th September, 1981</u>
	£'000	£'000	£'000	£'000
Koate	701	726	389	68
Humanate	-	-	118	103
ARG	35	83	24	-
Hyate C	-	-	100	297
Zonulysin	48	64	26	1
Other	<u>24</u>	<u>63</u>	<u>13</u>	<u>2</u>
	<u>808</u>	<u>936</u>	<u>671</u>	<u>471</u>

SPEYWOOD LABORATORIES LIMITEDPROFIT AND LOSS ACCOUNTS

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>9 months ended 30th Sept. 1981</u>
	£'000	£'000	£'000	£'000
Sales	808	936	671	471
Cost of Sales	414	578	436	310
Gross Profit	394	358	235	161
Overheads	219	304	335	283
Trading profit/(loss)	175	54	(100)	(122)
Research and development	(40)	(98)	(73)	(88)
Interest	(23)	(66)	(102)	(54)
	112	(110)	(275)	(264)
Extraordinary items:-				
Sale of Zonulysin	-	-	212	-
Sale of subsidiaries	-	-	88	149
Compensations for loss of office	-	-	(35)	-
PPDS grant receivable	-	-	-	121
Monsanto licence	-	-	-	54
Capital grants	1	1	1	1
Provision for losses of subsidiaries	(69)	(441)	-	-
Profit before taxation	<u>44</u>	<u>(550)</u>	<u>(9)</u>	<u>61</u>

SPEYWOOD LABORATORIES LTD.DIRECTORS EMOLUMENTS2 YEARS ENDED 31ST DECEMBER 1980

	<u>Salary</u>	<u>Benefit in kind</u>	<u>BUPA</u>	<u>Pension</u>	<u>Total</u>
	£	£	£	£	£
<u>1979</u>					
D.Heath	8,500	380	135	472	9,987
P.Lees	10,800	550	135	208	11,693
J.M.W.Hogan	13,500	380	135	270	14,335
					<u>£36,015</u>
<u>1980</u>					
D.Heath	8,500	380	135	170	9,685
P.Lees	11,843	550	135	208	12,736
J.M.W.Hogan	7,455	190	-	148	7,793
D.R.Williams	11,371	275	82	183	11,911
S.E.Dennison	4,680	190	109	108	5,087
					<u>£47,212</u>

SPEYWOOD LABORATORIES LTD.INSURANCE POLICIES

<u>Policy Number</u>	<u>Premium</u>	<u>Details</u>
TL74507185-1	£3,148.12 p.a.	Buildings, stock and machinery covered to a total of £385,000 against fire, theft and other perils.
OC 152261	£62.45 p.a.	2 Rank Xerox copiers, telex machine, Robophone and desk-top computer, against all risks.
959 Q 068098	£275.65 p.a.	Liability under Employers' Liability (Compulsory Insurance) Act 1969.
-	£3,470 p.a.	Public/Products Liability in respect of Animal AHG and Humanate.
839/632098472/73	£1,192 p.a.	Claims arising from goods sold or supplied, in excess of cover provided under previous policy, up to £500,000 per cl
AG7450718--5	£450 p.a.	Drugs in transit.
CS1/L00713-5	£787.50 p.a.	Marine transit insurance also covering goods in store at East Midlands and Heathrow airports.
36005011	£400 p.a.	Travel insurance for senior employees of the company.

SPEYWOOD LABORATORIES LTD.WREXHAM FACTORY COSTS

	<u>Actual to completion</u>	<u>Budget</u>
	£	£
Drains	5,000	4,000
Office complex	3,000	4,500
Gas main	2,000	2,000
Stores area	2,000	2,000
Expenditure on equipment which was budgeted to be obtained under lease:-		
Pyrogen-free water supply	7,000	-
Boiler plant	7,500	-
Clean room	10,000	-
Expenditure omitted from Budget:-		
Substation	10,500	-
Planning authority fees	2,000	-
Architect's fees	2,000	-
R & D lab clean room	6,000	-
	<u>£57,000</u>	<u>£12,500</u>