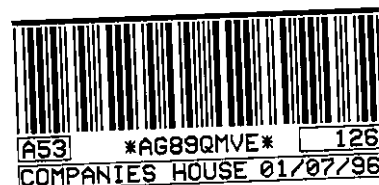


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**DELSYS INC.**  
**T/A Collag Corporation**  
**Balance Sheets**  
**Years Ended 12/31/94 and 12/31/93**

<u>ASSETS</u>		<u>12/31/94</u>	<u>12/31/93</u>
<b>Current Assets:</b>			
Cash (in bank & on hand)		£ 4,156	£ 18,046
Accounts Receivable		47,998	97,890
Other Current Assets		5,297	11,683
Total Current Assets		£ 57,451	£127,619
<b>Capital Assets:</b>			
Fixed Assets		£442,171	484,292
Intangible Assets		7,458	13,785
Goodwill	(Note 2)	190,000	200,000
Net Capital Assets		£639,629	£698,077
Advances to Affiliates:		33,800	0
<b>TOTAL ASSETS</b>		<u>£730,880</u>	<u>£825,696</u>
<u>LIABILITIES &amp; EQUITY</u>			
<b>Current Liabilities:</b>			
Accounts Payable & Accrued Expenses		£ 43,981	£ 70,753
Short Term Debt-MTM Note	(Note 4)	45,000	100,000
Deferred Income		6,000	10,000
Total Current Liabilities		£ 94,981	£180,753
<b>Long Term Liabilities:</b>			
Mortgage Loan-Lloyds Bank	(Note 4)	94,600	98,200
Term Loan-Cheminova A/S	(Note 5)	125,000	250,000
Loans from Affiliates	(Note 5)	88,834	0
Capital Lease Obligation	(Note 6)	5,287	6,722
Other Liabilities	(Note 7)	20,450	0
Total Long Term Liabilities		£334,171	£354,922
<b>Total Liabilities</b>		<u>£429,152</u>	<u>£535,675</u>
<b>Shareholder Equity:</b>			
Capital Stock	(Note 8)	£525,000	£525,000
Retained Earnings/(Deficit)		(223,272)	(234,979)
<b>Total Shareholders Equity</b>		<u>£301,728</u>	<u>£290,021</u>
<b>Total Liabilities &amp; Shareholders Equity</b>		<u>£730,880</u>	<u>£825,696</u>

See footnotes to financial statements and accountants report



DELSYS INC.  
T/A Collag Corporation  
Statement of Cash Flows  
Fiscal Years Ended 12/31/94 and 12/31/93

	<u>1994</u>	<u>1993</u>
NET INCOME/(LOSS)	£ 11,707	£(199,822)
OPERATING EXPENSES NOT AFFECTING CASH		
Depreciation	£ 57,810	£ 53,602
Amortization	16,327	56,312
(Gain)/Loss from Asset Disposals	<u>0</u>	<u>1,852</u>
	£ 74,137	£ 111,766
CHANGES IN WORKING CAPITAL		
Accounts Receivable	£ 49,892	£141,570
Other Current Assets	6,386	(3,538)
Accounts Payable & Accrued Expenses	(26,772)	8,158
Prebillings	(4,000)	10,000
Other Liabilities	<u>20,450</u>	<u>0</u>
	45,956	156,190
CASH PRODUCED/(USED) IN OPERATIONS	£ <u>131,800</u>	£ <u>68,134</u>
FINANCING ACTIVITIES		
Loans from Affiliates	£ 88,834	£ -
Term Loan Reduction-Cheminova	(125,000)	-
Mortgage Loan - Lloyd Bank	0	100,000
Loans to Affiliates	(33,800)	-
Repayment of Debt - Mortgage	(3,600)	(1,800)
Repayment of Debt - Vendor Note	(55,000)	(40,000)
Lease/Purchase Liability	<u>(1,434)</u>	<u>6,722</u>
CASH PRODUCED/(USED) IN FINANCING ACTIVITIES	£ (130,000)	£ 64,922
INVESTMENTS ACTIVITIES		
Acquisition of Capital Assets	(15,690)	(128,376)
Deferred Charges	0	(2,300)
Asset Disposals	<u>0</u>	<u>6,181</u>
CASH USED IN FINANCING ACTIVITIES	£ (15,690)	£(124,495)
NET MOVEMENTS IN CASH	<u>(13,890)</u>	<u>8,561</u>
BEGINNING CASH BALANCES	18,046	9,485
ENDING CASH BALANCES	<u>£ 4,156</u>	<u>£ 18,046</u>

See Accountant's Report and Footnotes to Financial Statements

**DELSYS INC.**  
**T/A Collag Corporation**  
**Statement of Income and Expenses**  
**Calendar Year 1994 and 1993**

	<u>1994</u>	<u>1993</u>
<b>SALES/TURNOVER</b>		
Contract Research	£ 305,750	£ 301,933
Formulation Manufacturing	0	61,406
Other Income	<u>135,180</u>	<u>1,504</u>
	£ 440,930	£ 364,843
<b>DIRECT COSTS</b>		
Contract Research	207,815	225,083
Formulation Manufacturing	<u>0</u>	<u>36,171</u>
	(207,815)	(261,254)
<b>GROSS OPERATING INCOME</b>	£ 233,115	£ 103,589
<b>INDIRECT COSTS</b>		
Sales & Marketing Expenses	£ 18,024	£ 30,979
Office Facility Costs	46,610	41,250
Management General & Administrative Costs	112,390	120,700
Financial Costs	<u>44,384</u>	<u>16,642</u>
Total Indirect Costs	<u>(221,408)</u>	<u>(209,571)</u>
<b>NET OPERATING PROFIT(LOSS)</b>	11,707	(105,982)
Non-operating/Extraordinary Costs	<u>0</u>	<u>(53,840)</u>
<b>INCOME/LOSS BEFORE TAXES</b>	£ 11,707	£ (159,822)
Income Tax Expense	<u>0</u>	<u>0</u>
<b>NET INCOME (LOSS)</b>	<u>£ 11,707</u>	<u>£ (159,822)</u>
<b><u>ANALYSIS OF ACCUMULATED (DEFICIT)</u></b>		
Balance at December 31, Prior Year	£ (234,979)	£ (75,157)
Current Year Net Income/(Loss)	11,707	(159,822)
Balance at December 31, Current Year	<u>£ (223,272)</u>	<u>£ (234,979)</u>

See Accountant's Report and Footnotes to Financial Statements

DELSYS, INC.  
T/A Collag Corporation  
Footnotes to Financial Statements  
Year Ended December 31, 1994

Note 1 - The Business

The Company is a privately-held corporation which provides contract research and development services relating to agrichemical products and technology. It was formed in January 1992 to acquire the business assets of a division of MTM Agrichemicals, Ltd., an unrelated corporation. The business consists of a corporate and administrative office in the United States and a laboratory and operations and administrative office in Southampton, England.

Note 2 - Summary of Significant Accounting Policies

**Currency** - The Company's functional currency is the British Pound therefore the financial statements and accounting records are prepared in that currency with all foreign currency transaction gains and losses recognized on the income statement as incurred. The exchange rate used for both Balance Sheet and Statement of Income and Expense purposes was \$1.50 f/\$.

**Revenues** - Revenues are recorded on a percentage of completion basis, using a per diem rate for unbilled accounts receivable.

**Expenses** - Direct and indirect costs are expensed as incurred. Work-in-process is capitalized against uncompleted projects as the corresponding revenue is recorded.

**Fixed Assets** - Purchases of fixed assets exceeding £100.00 are capitalized and written-off over the useful lives of the assets. Expenses for repairs and maintenance are expensed as incurred.

**Goodwill** - The difference between the purchase price and fair market value of the business and net assets acquired on October 20, 1992 has been recorded as goodwill with a corresponding credit to Shareholders Capital.

**Deferred Charges/Goodwill** - Fixed and intangible assets are being depreciated/amortized on a straight-line basis over the following useful lives -

Buildings and property improvements	40 years
Leasehold improvements	5 years
Laboratory equipment	6 years
Office furniture, fixtures, equipment	6 years
Vehicles	3 years
Goodwill	20 years
Deferred charges	5 years

DELSYS, INC.  
T/A Collag Corporation  
Footnotes to Financial Statements  
Year Ended December 31, 1994  
Page 2

Note 2 - continued

Taxes - The Company qualifies as an S Corporation for US Federal and State tax purposes and accordingly, no provision is made for current US tax liabilities. Due to foreign net operating losses, no liability for UK taxes is required until the losses have been fully utilized. Deferred taxes are recorded currently for the difference between tax expense and tax return liability resulting from timing differences which principally arise due to the revenue and expense recognition methods.

Note 3 - Related Party Transactions

Related party transaction results include:

- 1) Compensation and other emoluments paid to the shareholder-employees and rent paid to a real estate holding company owned by the shareholders for the use of office and conference facilities.
- 2) Charges made to an affiliated contract manufacturing company for the following services:
  - a) management and operations overhead charges at a standard rate of £2500/month
  - b) manufacturing plant facility rent charges of £1000/month
  - c) technical support and Intellectual Property Rights license fees at a rate of 5%.

Note 4 - Third Party Debt

The Company has available a £50,000 overdraft facility from Lloyds Bank which is secured by a charge over the accounts receivable of the business. Terms are repayment upon demand or default with interest payable monthly at the rate of 3% over the UK Bank base rate.

The Company has obtained a 20 year term loan from Lloyds Bank with interest and principle paid on a monthly basis. Interest is computed at 3% over the UK Bank base rate adjusted to market monthly. The loan is secured by a lien on the Company's laboratory, land and building located at Woolston, Southampton, England. The repayment of the principle is secured by an endowment insurance policy on the life of the Company's President.

DELSYS, INC.  
T/A Collag Corporation  
Footnotes to Financial Statements  
Year Ended December 31, 1994  
Page 3

Note 4 - continued

The Company has obtained a short-term unsecured note from MTM Plc, the seller of the business, as a form of intermediate purchase financing. MTM has subsequently assigned this note to British Tar Products Plc (BTP) as part of the sale of a substantial part of their assets. Negotiations are in process with BTP to revise the terms and maturity of the original facility. At present, BTP has agreed to a tentative repayment schedule which completely retires the loan by end of 1995.

Note 5 - Related and Affiliated Party Debt

The Company has obtained a term loan facility for £250,000 from ChemiNova A/S. The loan is repayable, in annual installments, over four years from June 1995 to December 1999 with interest at 1% over LIBOR. After successful completion of certain agrichemical product development work on behalf of ChemiNova resulting in the assignment of certain non-exclusive rights, the loan has been reduced to £125,000. The remaining ten (10) payments have been equally allocated over the original repayment schedule.

The Company has borrowed £130,000 from a company wholly owned by its shareholders. The loan is for a three (3) year term with interest accumulating at a simple rate of 6% p.a.

Note 6 - Leases

The Company has various leases for office and conference facilities as well as certain laboratory equipment. With the exception of the lease for the office and conference facilities at Southampton, England, none of the leases are financially material in scope or term. The office lease is for approximately 2,000 square feet of mixed use facilities at an annual rent of £30,000 plus allocable expenses for a term of five years with an option to renew for an additional five (5) years.

Note 7 - Employee Benefit Plans

The Company maintains three different employee benefit plans for which most of the full-time staff are eligible for participation.

- A) A UK based Defined Contribution Pension Plan has been in effect since 1992, which requires Company funding of 8% of annual payroll. Employees may make additional voluntary contributions of up to 10% of compensation.

DELSYS, INC.  
T/A Collag Corporation  
Footnotes to Financial Statements  
Year Ended December 31, 1994  
Page 4

Note 7 - continued

- B) A Company funded Health and Medical Care Benefit Plan exists, which pays premiums to an insurance company. No employee contributions are currently required.
- C) The Company provide a non-contributory Education Assistance Program for all research staff

Note 8 - Shareholders

The shareholders are party to an agreement amongst themselves which restrict certain corporate actions including changes in capital structure, dividend distributions, Board of Directors representation and personal services of certain directors. Changes to these restrictions can only be authorized by unanimous consent of the shareholders.